



STATE OF NEW MEXICO

ENERGY, MINERALS and NATURAL RESOURCES DIVISION
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE



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July 26, 1994

Mr Robert H Graham
100 West Apache
Farmington NM 87401

*Rosa Unit #351
N-27-31N-04W*

Re: HE Survey 277, Rosa Unit #351

Dear Mr. Graham:

I apologize for taking so long to respond to your letter of June 22 but we had to make a special field trip to the well site and do a thorough file search.

The well in the location which you referenced is shown as the Rosa #49 in our records. There was a Rosa Unit #351 well permitted in 1990 about one hundred feet to the west of the existing well but it was never drilled. The #49 was permitted and drilled in 1963 by Shar-Alan Oil Company. State records do not keep track of "rights to drill" but only keep track of who claims to have a right with no other validation required. The County Clerk's office keeps track of property ownership and oil and gas leases. One document in our files calls this the Ruth Scammahorn Lease and shows it as Pan Am #74492 - Ruth Scammahorn, et ux, Lessor to L. P. Hine, lessee, dated 3/5/47.

Our plat of H. E. S. 277 shows that the homestead lies mostly in Section 27 with a small portion in Section 28. There is only one well in Section 27 that would include this acreage and it has never produced. If there is not a valid lease on this property then the well cannot be produced until such time as a lease is obtained or the acreage is "force pooled." We currently have a program in place by which we are locating temporarily abandoned wells and requiring action to be taken in compliance with our rules and regulations. So far we have been working only with wells that have a history of production in anticipation that we would soon start action on wells such as this one that have never produced. Our field inspection found that one of the wellhead valves has a small leak but at this time it is not hazardous. This facility does not currently cause damage to or present a hazard to property and wildlife.

Although the well sign shows Northwest Pipeline Corporation as the operator, the operator of record for us is Mitchell Energy Corporation, 555 Seventeenth Street, Suite 3500, Denver, Colorado, 80202. Northwest put that sign up thinking that they were going to bring the well into the Rosa Unit but that never occurred.

Robert H Graham
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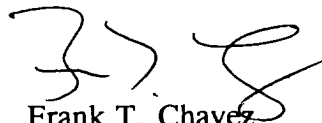
If there is not a valid lease on the property a more serious situation is occurring in Section 28 where approximately 12 acres of the homestead is situated and there are two producing wells. Meridian Oil Incorporated is operating the Rosa Unit #311, a Fruitland coal gas well, and Northwest Pipeline is operating the Rosa Unit #87, a Gallup gas and Dakota gas well. Your client would be receiving royalty payments from the Unit for the 12 acres of property that are being produced if there is a lease and he owns the mineral rights.

You did not say whether or not your client owns only the surface or also owns the oil and gas rights. If he owns the oil and gas rights and there is no lease, these wells are being operated in violation of our rules and regulations and he may very well have cause for action. Please supply us with copies of any documentation to that effect. You did not indicate whether or not you had been in contact with the operators and what their response was to your claim.

Our files for the three wells have quite a few documents related to the physical activities on these wells and they are public information. You are free to come and look at these files.

If your client owns only the surface but there is an existing oil and gas lease, he is bound by the stipulations in that lease.

Sincerely,



Frank T. Chavez
District Supervisor

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