



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

July 7, 1995

KC Resources, Inc.
2533 South Hwy 101 #260
Cardiff, California 92007

Re: New Mexico "BH" State NCT-1 Lease Section 11, T12S, R32E

Gentlemen:

An inspection the New Mexico "BH" NCT-1 Wells #1-C, #2-F, #3-E, and #4-D, all in Section 11, Township 12 South, Range 32 East; shows that all of these wells are currently shut in.

According to our records, only the New Mexico "BH" State NCT-1 #3 has produced during 1993, 1994, and 1995. This well produced only during the month of February, 1994.

To insure the mechanical integrity of the wells, the following options are available:

- 1> Make any repairs necessary and return the wells to an active status.
- 2> Temporarily abandon the wells with procedures as specified in Division Rule 203.
- 3> Plug and abandon the wells after submitting proposed procedures and the procedures being approved as submitted or amended to reflect the necessary changes and/or additions to your procedures.

It is noted that House Bill #65 makes an allowance for severance tax benefits which may make it more economical to return the wells to active production.

To avoid a show cause hearing in regard to the disposition of these wells, we request that you submit your plans for the wells no later than 30 days from the date of this letter.

Very truly yours

OIL CONSERVATION DIVISION

Jerry Sexton
Supervisor, District I

JS:bp

cc: Rand Carroll

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
OCD EXHIBIT NO. 6
CASE NO. 12948