

PADILLA LAW FIRM, P.A.

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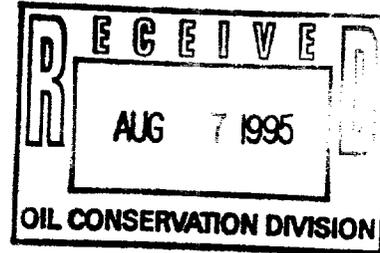
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August 7, 1995

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



ATTENTION: MICHAEL E. STOGNER
HEARING EXAMINER

RE: OIL CONSERVATION DIVISION
CASE NO. 11319 - APPLICATION OF
SULLIVAN AND COMPANY "3D" PROGRAM
I, L.L.C.

Dear Mr. Stogner:

This letter confirms our meeting on Thursday of last week during which I asked for your advice with respect to the information that my client has discovered in drilling the well which was the subject matter of its application.

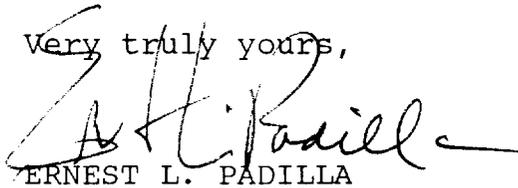
As I indicated to you, in the course of drilling the well, my client has confirmed that the north/south trending fault is further west than previously believed. As a consequence, my client wants to come back uphole and whipstock the well base to a bottomhole location which could cross the section line.

Your opinion was that given the significant faulting in the area and uniform working and royalty interest, Sullivan should drill the well to achieve production without being restricted by an OCD order which probably has to be amended as a result of drilling efforts. In addition, you would delay issuance of an order until production was obtained or a dry hole was drilled. If production was obtained, then we would amend our application to conform to the bottom hole location and production unit configuration. If a dry hole is ultimately the result, then the application would be dismissed.

Oil Conservation Division
Attn: Michael E. Stogner, Hearing Examiner
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I believe that the foregoing correctly states the consensus that we reached last week. If it is not, please let me know. Thank you for your courtesy.

Very truly yours,



ERNEST L. PADILLA

ELP:clm
xc: Marc Garrett
Tom Armstrong

