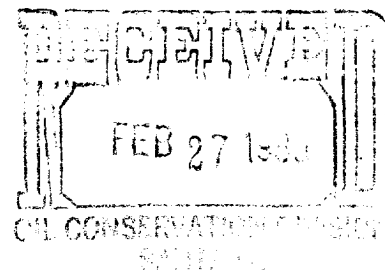


MARTIN J. DAVIDSON



February 23, 1989

Mr. Roy E. Johnson
Senior Petroleum Geologist
New Mexico Oil Conservation Commission
State Land Office Building
P.O. Box 2088
Santa Fe, N.M. 87501

Re: Ingram, Gihon "31" No. 1
Chappell-Spade Ranch
San Miguel County, N.M.

Dear Roy:

It is now over thirteen months since the Tom L. Ingram, Gihon "31" No. 1 dry hole has been abandoned. It is abundantly clear by this time that Ingram is financially and otherwise incapable or unwilling to properly plug the dry hole.

The well was drilled on a farm-out from me to Ingram and the lessor, Mr. Frank Chappell, looks to me as the original lessee to seek compliance with the New Mexico law requiring the bonding company to pay the State to plug the well and clear up the well-site when the legal operator is either unwilling or unable to do so.

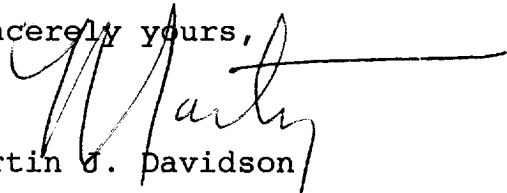
I continue to have prospects in that portion of the Tucumcari Basin which I have worked for over ten years. My relations with Mr. Chappell, as well as with other landowners in the Basin, have been both pleasant and enduring. Those relations are now in jeopardy as a consequence of the Commission's seeming unwillingness to have the bonding company perform as the law intended. You and I have discussed this matter, interminably, over the last seven months without any resulting action.

I appreciate the Commission's hesitancy to make matters more difficult for Mr. Ingram in his attempt to come out of Chapter 11. Nevertheless, failure to act is an injustice being done to the landowner, to the law and to the maintenance of the good relations with landowners in the Basin that I need in order to proceed with my continued exploration plans.

Mr. Roy E. Johnson
New Mexico Oil Conservation Commission
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It is my strongest wish that you bring this to the direct attention of Commissioner Le May, after which I am confident that he will have the Commission act promptly in this matter.

Sincerely yours,



Martin G. Davidson

MJD/mls