

Quanico Oil & Gas, Inc.

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PHONE (501) 863-7170

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O. C. D.
ARTESIA, OFFICE

January 4, 1988

Mr. Mike Williams
Oil & Gas Inspector
Energy, Minerals and Natural Resources
Department
P. O. Drawer DD
Artesia, New Mexico 88210

Re: Latham State #1
P-25-10-26 Chaves Co.

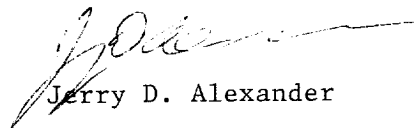
Dear Mr. Williams:

I am writing regarding your letter of December 31st concerning the expiration of our Exception to No-Flare Rule 306. We produced the well only two months after we got the exception, and shut it in on September 1, 1987.

Even though we are not presently producing the well, we would like an extension of the exception because we have farmed out the lease to Citigas, with an option to purchase, and they could possibly want to run additional tests on the well. I am sure these tests would only last a few days. None of us want to waste the most valuable asset in the well, the gas, to get the least valuable, oil.

Yours very truly,

QUANICO OIL & GAS, INC.



Jerry D. Alexander

JDA:sa