

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
GOVERNOR

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

JENNIFER SALISBU
CABINET SECRETARY

March 27, 1996

Rand Carroll, Legal Bureau
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Yates Exploration	Whitney	#3	J-34-10-27	
Jalapeno Corp	Rox	#3	D-31-10-28	P & A
Cibola Energy Corp	Miller	#1	P-29-11-28	
Cibola Energy Corp	Cowboy	#1	D-34-11-28	
Cibola Energy Corp	Sallie	#2	I-30-10-28	
Cibola Energy Corp	CX Plains	#7	O-19-10-28	
Cibola Energy Corp	Jan	#1	O-17-10-28	
Cibola Energy Corp	Jennifer	#1	D-35-9-27	
Yates Exploration	Sardine	#1	C-19-9-28	P & A
Cibola Energy Corp	Virden	#1	D-20-14-11	

Dear Rand,

January 4, 1995 we began a dialogue with Mr. Harvey Yates Jr. about plugging the above captioned wells.

To give you a brief history, these wells were all drilled to approximately 300' and surface casing set and cemented. The wells were then drilled to TD and a drill stem was ran. There has not been any production casing run on these wells. This company then moved off of the wells leaving them in this condition and began drilling the next well.

After several letters and telephone calls, the Rox #3 and Sardine #1 have been plugged. The Sallie #2 was cleaned out to 1900' so that it could be plugged, then they decided to take another look at the logs and maybe run pipe, which is alright, but it has been almost three months sitting idle because his contractor refuses to work any longer without payment.

I wrote Mr. Yates in July 1995 in regard to another well in Otero County which also needs to be plugged and had no response at all. I then called him and told him the well would need to be properly plugged. This well is the Virden #1.

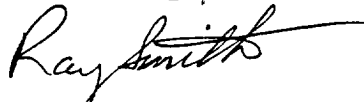
On February 12, 1996 I received a call from Mr. Don Bell, a VP for Cibola Energy Corp. Mr. Bell told me they did not have the money to plug these wells and he asked me for a little time because they were trying to go public with the company to raise some funds. I told Mr. Bell to send a letter to Tim Gum stating what he had just told me. To date there has been no word at all.

March 27, 1996
Rand Carroll, Legal Bureau

The Virden #1 and the Cowboy #1 are the only wells that have production casing set to TD.

Tim Gum has instructed me to ask for a hearing to be scheduled to show cause why these wells should not be plugged to protect fresh waters of the State of New Mexico, the environment and correlative rights in the area.

Yours Truly,

A handwritten signature in cursive script, appearing to read "Ray Smith", with a long horizontal flourish extending to the right.

Ray Smith
Deputy Oil & Gas Inspector

RS:br

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May 21, 1997

Mr. J.T. Jackson
J & G Enterprises
P.O. Box 100
Artesia, NM 88210

Re: J & G Enterprises, New Mexico DI #1, 2 & 3, Sec 19-23S-26E

Dear Mr. Jackson,

On November 1, 1996 Mr. Ray Smith wrote granting you another 60 days to re-evaluate the above captioned wells. To date we have heard nothing else from you.

Unless we hear from you by June 15, 1997 we will ask our legal department in Santa Fe to schedule a hearing so that you may appear and show cause why these wells should not be plugged.

Yours Truly,



Tim W. Gum
District II Supervisor