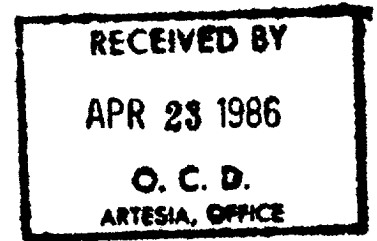




McClellan Oil Corporation



April 22, 1986

New Mexico Oil Conservation
Division
P.O. Drawer DD
Artesia, NM 88210

ATTENTION: MIKE WILLIAMS
OIL & GAS INSPECTOR

RE: Cal-Mon State #1
Unit D Section 19-T16S-R29E
Eddy County, New Mexico

Dear Mike:

In reference to your letter dated April 14, 1986, regarding casing-head gas being vented from the captioned Cal-Mon State #1, we have not been able to obtain a gas contract for this well. The pipeline companies have cited low BTU values, high nitrogen content, extremely low volume, and weak gas markets as reasons for not issuing a contract.

Also, the well has declined from 7 BOPD to approximately 3 BOPD, and the gas has declined accordingly. We will pursue a pipeline connection but do not foresee any in the near future.

Sincerely yours,

Paul Ragsdale
Operations Manager

PR/ta

