

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

**OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE**

GARY E. JOHNSON
GOVERNOR

JENNIFER SALISBURY
CABINET SECRETARY

June 4, 1997

Van P. Welch
Red Lake Oil Co.
P.O. Box 742341
Houston TX 77274-2341

Re: Properly Abandoned Wells, Red Lake Oil Co, Welch State #1
Ut Ltr J-28-17-28

Dear Mr Welch,

The state of New Mexico is in the process at this time of reviewing leases and determining the number of abandoned wells.

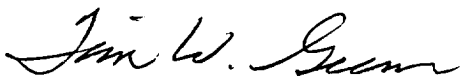
Rule 201 A. states the operator of any well drilled for oil, gas or injection, for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

Rule 201 B. states a well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within 90 days after (1) a 60 day period following suspension of drilling. (2) a determination that the well is no longer usable for beneficial purposes. (3) A period of 1 year in which a well has been continuously inactive.

House Bill 65 has been passed by the legislature and provides some tax incentives for wells put back in production. However, if there are no plans to put this well back in service then it needs to be either plugged or properly temporarily abandoned.

Our records show no production on the above captioned well for the past 3 years. Please send to the NMOCDD office in Artesia, by July 1, 1997, a plan to bring this well into compliance with rule 201. Failure to respond to this request will result in us asking our legal department in Santa Fe to schedule a hearing so you may appear and show cause why this well should not be plugged.

Yours Truly,



Tim W. Gum
District II Supervisor