

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
ARTESIA DISTRICT OFFICE

JENNIFER SALISBURY  
CABINET SECRETARY

GARY E. JOHNSON  
GOVERNOR

9-19-97

K C Resources Inc.  
2533 So. HWY 101 # 260  
Cardiff, CA. 92007

Re; Properly Abandoned Wells.

The State of New Mexico is in the process at this time of reviewing leases to determine the number of abandoned and shut in wells.

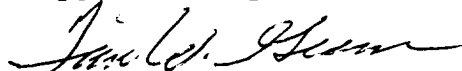
Rule 201 A. states " The operator of any well drilled for oil, gas or injection, for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof."

Rule 201 B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with the 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 a well or wells back in service then plugging or proper temporary abandonment will be required.

Please forward to the Oil Conservation Division office in Artesia by November 1, 1997, a plan to bring the following list of wells 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 that you may appear and show cause why these wells should not be plugged.

Yours truly,

  
Tim Gum

K C Resources Inc. Jones D # 1 Ut. H sec. 13-18-26 Eddy Co. NM.  
Jones D # 2 Ut. I sec. 13-18-26 Eddy Co. NM.  
Jones D # 4 Ut. E sec. 18-18-27 Eddy Co. NM.  
Jones D # 5 Ut. L sec. 18-18-27 Eddy Co. NM.  
Paul Terry Etal Gas Com. # 2 Ut. H sec. 15-18-26 Eddy Co. NM.