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P. O. Drawer U
Artesia, New Mexico 88210

O. C. D.
ARTESIA, OFFICE

February 8, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Rhonda Operating Company
511 North Main
Midland, Texas 79701

Gentlemen:

A review of our files concerning the Federal "EA" well No. 1 in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 12, T.18S., R.27E., N.M.P.M., Eddy County, New Mexico, lease NM 6852, shows that the well was shut-in during March 1976. Since this lease is in its extended term by production, it must contain a well capable of producing hydrocarbons in paying quantities, i.e. sufficient quantities to pay the day-to-day operating and lease maintenance costs, or it will be considered to have expired.

In the absence of an acceptable showing by you that the subject well is capable of producing leasehold substances in paying quantities, within sixty (60) days from the receipt of this notice, this office will consider the lease to have terminated by operation of law effective March 31, 1976, last day of the month in which the well last produced.

The foregoing information is furnished so that you may take such action as you consider appropriate. You are further reminded that no production tests or other operations should be conducted on the lease without prior approval by this office. Additionally, you are hereby advised that our approval of January 2, 1980, to drill the Federal "EA" well No. 3 is suspended until it is established to the satisfaction of this office that the Federal "EA" well No. 1 is still capable of producing in paying quantities. You will be advised in writing when the suspension has been terminated.

Very truly yours,

Wp. Sgd. ALBERT R. STALL

Albert R. Stall
Acting District Engineer

cc:
Area Oil and Gas Supervisor
Suspense/Lease File
Roswell Chrono.
Artesia Chrono.
NMOCD (2)