

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
GOVERNOR

JENNIFER SALISBURY
CABINET SECRETARY

May 21, 1997

Mr. Dan Snow
Snow Oil & Gas
P.O. Box 1277
Andrews TX 79714

Re: Properly Abandoned Wells, Snow Oil & Gas, Palmillo State #2
Ut J Sec 32-18-29

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

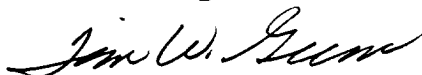
Rule 201 A. states the operator of any well drilled for oil, gas or injection, for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

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 into production. However, if there are no plans to put wells back into service then they need to be either plugged or properly temporarily abandoned.

I wrote you June 25, 1996 and asked your intentions for the above captioned well and to date have received no response from you. We ask that you submit a plan to bring this well into compliance with rule 201 by July 1, 1997. Failure to respond will result in a request to our legal department in Santa Fe to schedule a hearing so that you may appear and show cause why this well should not be plugged.

Yours Truly,



Tim W. Gum
District II Supervisor