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April 26, 2001  
**VIA FACSIMILE**

Stephen C. Ross, Esq.  
Oil Conservation Commission  
1220 S. Saint Francis Drive  
Santa Fe, New Mexico 87505

**Re: New Mexico Oil Conservation Division Order No. R-11520; In the Matter of the Hearing Called by the New Mexico Oil Conservation Division on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any Plugging Bond Covering this Well.**

Dear Mr. Ross:

We discussed this matter last month. The above-captioned case is currently scheduled to be heard de novo by the Oil Conservation Commission tomorrow, Friday, April 27, 2001.

This case was brought by the Division at the request of Mr. Tim Gum, district supervisor for the Division in Artesia. I have spoken with Mr. Gum and with my client about this case, and have reached agreement between the two parties. I discussed that agreement with Kurt J. Van Deren, Esq., appearing as special counsel for the Division in this case. This letter details that agreement.

First, the case scheduled to be heard tomorrow will be continued to the May 25, 2001 docket. The case will be revisited at that time.

Second, my client will cause a rig, supervised by Mr. Bill Hansen of Roswell, to move on the location of the well within thirty (30) days. My client will pull the tubing in the wellbore and use cement to squeeze a casing leak which it has identified at 3100 feet. Once the casing leak is sealed, my client will cause a mechanical integrity test to be conducted. If the results of the mechanical integrity test indicate that the casing leak has been sealed, then my client will put packers into the wellbore between the Morrow and the Wolfcamp formations and, through another mechanical integrity test, determine that there will be no communication between those zones. Finally, if the results of the second mechanical integrity test are successful, my client will re-complete the well in the Morrow formation and produce from that formation until all

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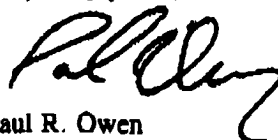
recoverable reserves have been captured. As the well is to be recompleted in the Morrow, the zone for which it was originally approved, my client will only be required to file a Division Form C-103 to advise the Division of this process.

My client agrees to move the above rig on location within thirty (30) days. If it does not do so, my client has agreed to plug and abandon the well. The thirty day period may be extended for extenuating circumstances beyond my client's control with the permission of Mr. Gum.

If the well is successfully recompleted in the Morrow, the Division will vacate Order No. R-11520 and dismiss the underlying case. The Division is welcome to inspect my client's work and the well at any time during this process.

Please review these conditions and indicate the Division's acceptance of them by written response as soon as possible.

Very truly yours,



Paul R. Owen

cc: Mr. Wendell Chen (via facsimile)  
Mr. Tim Gum (via facsimile)  
Kurt J. Van Deren, Esq. (via facsimile)