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June 10, 1988

Grace Oil Company
P. O. Box 1418
Carlsbad, New Mexico 88220

ATTN.: MIKE BUTTS

Re: City of Carlsbad Well No. 1, Unit C,
Section 25, Township 22 South, Range 26 East,
N.M.P.M., Eddy County, New Mexico

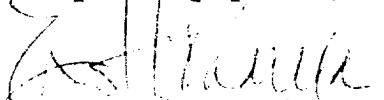
Dear Mr. Butts:

You have requested our advice as to what procedure or steps you should take in order to vent the above-referenced natural gas well in order to unload fluids that are affecting the well's producing capabilities. The problem is aggravated by the fact that the well is situated within the city limits of the City of Carlsbad.

With regard to this problem, I have conferred with Mr. Vic Lyon of the Santa Fe office of the Oil Conservation Division, Mr. Max Cordova of the City of Carlsbad and Mr. Mike Williams of the Artesia District office of the Oil Conservation Division. The general consensus arrived after conferring with these gentlemen is that you should coordinate the venting procedure with both the Artesia District Office of the Oil Conservation Division and with Mr. Cordova of the City of Carlsbad. Our suggestion is that you meet with Mr. Cordova and a representative of the Oil Conservation Division in order to address safety, environmental, timing, and other aspects of the venting procedure.

Should you have any questions, please let me know.

Very truly yours,



Ernest L. Padilla

ELP:crk

cc:: Vic Lyon
Max Cordova
Mike Williams