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Mr. W. A. Gressett April 3, 1974

in South Carlsbad Gas Com. #3, Well #1 due to the unusually long stabilization time. During the two hour flow periods on the Morrow test, the production rate was approximately the same regardless of choke setting. The Canyon in South Carlsbad Gas Com. #3, Well #1 is currently shut-in. Due to the high volume of water production (1000 BPD), it is no longer economical to produce. We are now evaluating plug and abandonment of the Canyon and conversion of the well to a Morrow single.

Current plans for the South Carlsbad Gas Com. #2, Well #1 are to continue to produce the well to depletion and to evaluate the well for possible future stimulation of the Morrow.

Yours very truly,

Exxon Company, U.S.A, a division of Exxon Corporation

S F Banko

Acting District Manager

SEP:gc