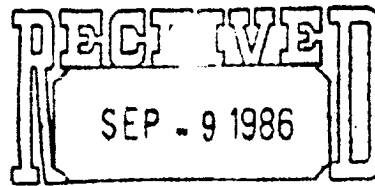


HADSON



OIL CONSERVATION DIVISION
SANTA FE

September 3, 1986

Mr. R. L. Stamets, Director
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Overproduction of a
Prorated Gas Well
Santa Fe Energy's - Walker #1 1 21-22-27
Eddy County, New Mexico
S. CARLSBAD MORROW

Dear Mr. Stamets:

Reference is made to your letter dated August 26, 1986 requesting an explanation of Llano Inc.'s continued takes from an overproduced well. Llano is taking the gas from this well because Santa Fe asked us not to shut-in the well except as a last resort and also because our markets need the gas.

We were forced to have Santa Fe shut-in this well in February and again in March of this year due to market down time which consequently killed the well. We later assured Santa Fe that we would be able to take the gas if their workover was successful. Consequently we have taken the gas from this well continuously since Santa Fe's May 1986 workover and we plan to continue taking this gas due to high market demand.

If you need further information please advise.

Very truly yours,

LLANO, INC.

Steve Pfaff, Supervisor
Contract Administration

SP:am

xc: Santa Fe Operating Partners, L.P.
500 West Illinois, Suite 500
Midland, Texas 79701
Attn: Mr. Hugh L. Boyt
District Production Manager

Llano File No. P.09.05.86

LLANO, INC.

