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O. C. D.
ARTESIA OFFICE

DALLAS DIVISION

July 26, 1991

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
P. O. Drawer DD
Artesia, New Mexico 88211

Attn: Mr. Mike Williams

RE: Gas Disposition
Nymeyer "A" No. 1
Sundry Notice
Nymeyer "A" No. 2
Section 15 - T23S - R28E
Eddy County, New Mexico

Dear Mr. Williams:

In response to your letter of July 23, 1991 concerning the captioned well, our Gas Marketing Department has been in continual contact with several purchasers/transporters of natural gas in the area attempting to secure a competitive gas contract for our working interest and royalty owners. Several conditions have made this more time-consuming than normal. Firstly, current economic conditions have lowered gas demand and prices. Secondly, our well is only capable of roughly 50 to 60 MCFPD, thus reducing its attractiveness further. Thirdly, the Santa Fe Railway track crossing our lease and Highway 31 on its border create additional economic burdens.

We are currently negotiating with Llano as well as Continental to secure the most appropriate purchaser. We expect to hear a proposal from Llano within the next couple of days. Previous to this we were pursuing a contract with Phillips but have since discovered that a connection to their system will require another two to four months delay. We wish to assure you we are pursuing this connection diligently as it is in our best interest as well.

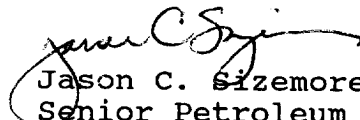
State of New Mexico
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Enclosed in this letter is the Sundry Notice containing information on the casing and cement work on the Nymeyer "A" No. 2 as well as our intentions for perforating and testing the Bone Springs. Please contact me if I may be of further assistance.

Sincerely,

GRAHAM ROYALTY, LTD.


Jason C. Sizemore
Senior Petroleum Engineer

JCS/ca
a:nyma#1.snm

cc: Jack Bledsoe, Midland
Mark Basore, Covington