

LAW OFFICES
HINKLE, COX, EATON, COFFIELD & HENSLEY

218 MONTEZUMA

POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554

April 17, 1984

LEWIS C. COX	JAMES H. ISBELL*
PAUL W. EATON	ANDERSON CARTER, II
CONRAD E. COFFIELD	STEVEN D. ARNOLD
HAROLD L. HENSLEY, JR.	JEFFREY L. BOWMAN
STUART D. SHANOR	JOHN C. HARRISON
C. D. MARTIN	JAMES J. WECHSLER
PAUL J. KELLY, JR.	NANCY S. CUSACK
OWEN M. LOPEZ	DAVID L. SPOEDE
DOUGLAS L. LUNSFORD	JEFFREY D. HEWETT*
PAUL M. BOHANNON	JAMES BRUCE
ERNEST R. FINNEY, JR.*	MICHELE A. DREXLER
J. DOUGLAS FOSTER	CRANFORD O. PLYLER, III*
T. CALDER EZZELL, JR.	DAVID G. REYNOLDS
WILLIAM B. BURFORD*	T. MARK TISDALE*
JOHN S. NELSON	THOMAS D. HAINES, JR.
RICHARD E. OLSON	THOMAS M. HASKO
RICHARD A. SIMMS	MICHAEL F. MILLERICK
DEBORAH NORWOOD*	STEVEN S. MICHEL

*NOT LICENSED IN NEW MEXICO

OF COUNSEL
CLARENCE E. HINKLE
ROY C. SNODGRASS, JR.
O. M. CALHOUN
W. E. BONDURANT, JR. (1913-1973)
ROBERT A. STONE (1905-1981)

ROSWELL, NEW MEXICO OFFICE
600 HINKLE BUILDING
POST OFFICE BOX 10
(505) 622-6510

MIDLAND, TEXAS OFFICE
200 BLANKS BUILDING
POST OFFICE BOX 3580
(915) 683-4691

AMARILLO, TEXAS OFFICE
1700 TEXAS AMERICAN BANK BUILDING
POST OFFICE BOX 12118
(806) 372-5569

RECEIVED
APR 19 1984
OIL CON. DIV.
DIST. 3

Mr. Dennis Cole
Gulf Mineral Resources
1720 South Bellaire St.
Denver, Colorado 80222

Dear Denny:

This letter follows my letter to Carl W. Bank, dated February 6, 1984, and my earlier telephone conversation to you. Please be advised that I have talked to Frank Chavez, District Supervisor, Oil Conservation Division in Aztec, New Mexico, as well as Charles Gholson, Deputy Oil & Gas Inspector, from the same office, with respect to setting for hearing an order to show cause directed at Manvar Mining and Tino Manzanares, regarding why their well located near the San Miguel Camp on the Fernandez Company should not be plugged and abandoned and the bond forfeited. I was advised that the matter would proceed immediately and discussed the situation with Perry Pearce, legal counsel for the Oil Conservation Division.

As we discussed, the damage caused by the well is estimated to be well in excess of the amount of the bond, and it is my understanding that Gulf will reimburse Fernandez Company for the reasonable value of all damage caused as a result of the negligent operations associated with the well.

My understanding is that the plugging hearing will be set for the next Examiner Hearing on May 9, 1984. I would hope that plugging operations could commence immediately after the order is entered and once that is done, we should be in a position to ascertain the extent of damage caused by the well.

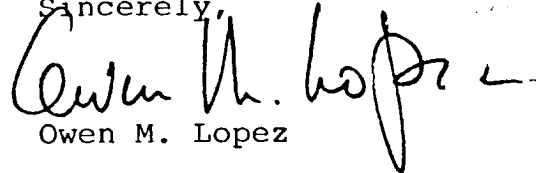
As you are aware, Fernandez Company is seriously dissatisfied with Gulf's disregard of Fernandez' rights by Gulf's negligence in choosing Manvar Mining as the operator of the

Mr. Dennis Cole
April 17, 1984
Page 2

well. Clearly, Manvar's operations have been questionable at best, and this information had to be available to Gulf prior to reaching an agreement with Manvar.

If you have any questions or suggestions, please advise.

Sincerely,


Owen M. Lopez

OML:to

cc: Mrs. Iona Lee
S.A. Zagnoli
David Messer
Charles Gholson ✓
William R. Woodard