



June 27, 1984

Mr. Matt Millenbach
Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87499

RE: Noarko Resources, Inc.
LuLu #3 Well

Dear Mr. Millenbach:

Noarko Resources, Inc. (formerly Aztec Energy Corporation) is requesting a one year extension on a previously approved venting of casinghead gas for its LuLu #3 well. The approval for venting casinghead gas expires on July 19, 1984. The well is located in the SE/4 SW/4 Section 29, Township N., Range 6 W.

This request for an extension to continue venting casinghead gas is necessitated by the fact that we are still unable to procure a gas purchaser for the well. Noarko has periodically called El Paso Natural Gas Company to stay abreast of any possible changes in their gas purchasing policy. To date, we have not been given any possible future date when they may begin purchasing casinghead gas. Noarko also contacted Northwest Pipeline Corporation and sent them all the available information concerning the well. On March 5th, 1984, Northwest Pipeline Corporation issued a gas purchase contract covering this well and two (2) other wells we operate in the area. (LuLu #4 and LuLu #5) After some negotiations with Northwest, Noarko executed the contract on April 3rd, 1984. After numerous telephone calls by Noarko on the status of the contract, on June 6th, 1984, we were informed that Northwest's management rejected the contract. Northwest's reason for rejection was because of their internal problems with allocating gas volumes behind central meter points.

As previously outlined in our original letter for request of venting casinghead gas on July 15, 1983, and other correspondence, Noarko installed its own gas gathering system, meters and etc. for three other wells we operate in the area. The casinghead gas is delivered to El Paso Natural Gas Company's central meter approximately two miles west of the wells. With the Northwest contract, Noarko was going to extend the gas gathering system, install a meter on the location, deliver the gas to El Paso's central meter point and El Paso would transport the gas for Northwest.

In the most recent scheduled GOR test on June 6th, 1984, the LuLu #3 well tested 16.69 BOPD and 20.7 McfGPD. With this small amount of casinghead gas, we have been unable to attract any additional gas purchasers.

NMOCD

NOARKO RESOURCES, INC.

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BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

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OIL CON. DIV.
DIST. 3

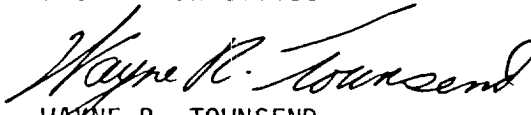
Mr. Matt Millenbach
Page Two
June 27, 1984

Noarko's future course of action will be to keep communications open with Northwest Pipeline Corporation to see if and when they can resolve their internal allocation problems and also to stay in contact with El Paso Natural Gas Company for any future issuing of contracts. Another option that Noarko is looking into, is to find a gas end user, but this may not prove to be feasible because of the quantity of gas and the associated reserves.

In summary, Noarko is requesting a one year extension on venting casing-head gas on the LuLu #3 well and hopefully we can obtain a casinghead gas purchaser within this time frame.

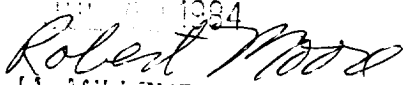
Sincerely,

NOARKO RESOURCES, INC.
Production Office


WAYNE R. TOWNSEND
Vice President of Production

WRT:ch

APPROVED

JUL 1 1984

ROBERT MOORE
AREA MANAGER