



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
AZTEC DISTRICT OFFICE  
1000 RIO BRAZOS ROAD  
AZTEC, NEW MEXICO 87410  
(505) 334-6178 Fax (505) 334-6170

GARY E. JOHNSON  
GOVERNOR

JENNIFER A. SALISBURY  
CABINET SECRETARY

July 23, 1997

Elliott A Riggs  
PO Box 711  
Farmington NM 87401

RE: Kimbark O&G Co., Palluche State #1, 30-039-20585, P-32-25N-07W

Dear Mr. Riggs:

This letter is about our conversation on July 22, 1997, concerning your intention for the above-mentioned well. According to Rule #201B any well that has been shut in for a period of one year or more will be returned to production, plugged or properly abandoned according to Rule 203 within (90) days. The Oil Conservation Division would prefer that the well be returned to production and have approved a (30) day extension to allow you time to work out the operator agreements. At this time there will be another (60) day approval to bring the well into compliance. The Palluche #1 is a concern to us due to the calculated top of cement behind the 2 7/8" casing at 1908'. There is no way to evaluate the integrity of the casing after (25) years of exposure to the corrosive water of the Ojo formation at 1615' without a Mechanical Integrity Test.

Feel free to contact me at 334-6178 if I can be of any help in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Johnny Robinson".

Johnny Robinson  
Deputy O&G Inspector

JR/sh

XC: TA File  
Well File  
Frank Chavez  
Kimbark O&G Co.