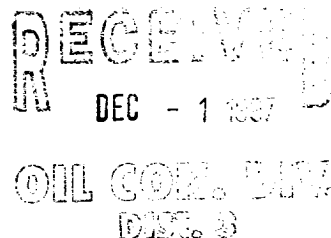


November 21, 1997

New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Attention: Mr. Johnny Robinson

Re: SG Interests I, Ltd. - Santa Rosa #7-1
Section 7, T29N-R9W
San Juan County, New Mexico



Gentlemen:

This letter is in response to your request to install hospital grade mufflers or sound walls on the compressor located at the referenced well.

SG finds itself in a situation where the surface owner, Mr. Woodbury, evidentially will not be satisfied with SG's operations until he is given a gas tap for free residential gas use. In the past, SG has taken steps to remediate the noise level at this well, however, after these steps were taken, Mr. Woodbury informed our contract operator, Mr. Tripp Schwab, that the noise was still excessive. SG has explained to Mr. Woodbury that due to liability concerns, a gas tap would not be possible.

This situation is complicated by the fact that Mr. Woodbury owns a new access road to the referenced well which SG does not have the right to use. SG was informed that this road was built at the joint expense of Amoco Production Company and Mr. Woodbury to access Amoco's well located next to SG's well (the well pads are contiguous). SG has access to its well from a different road which is not in good condition. SG has informed its contractors not to use the new road which results in some contractors who service both the Amoco well and SG well to use the new road for Amoco then leave the site only to access the SG well by the old road. Obviously this is a ridiculous situation.

Mr. Woodbury has informed SG that he is not interested in selling a right of way to SG on the new road unless a gas tap was involved. SG will not grant a gas tap and therefore is satisfied using the old road. SG has ordered and will post signs for all contractors to access the SG well via the old road. Since Mr. Woodbury will not be satisfied with anything short of a gas tap, SG cannot satisfy his concerns.

Should you wish to discuss this matter further, please do not hesitate to contact me at (713) 951-0100, or Mr. Bob Sagle at (970) 259-2701.

Mr. Johnny Robinson
November 21, 1997
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Robert H. Guinn, II". The signature is stylized with a large initial "R" and a horizontal line at the end.

Robert H. Guinn, II, CPL
Land Manager

/rg

cc: Mr. Bob Sagle
Sagle, Schwab & McLean
P. O. Box 2677
Durango, Colorado 81302

