



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

AZTEC DISTRICT OFFICE
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GARY E. JOHNSON
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JENNIFER A. SALISBURY
CABINET SECRETARY

July 8, 1996

Mary Lou Drywater
Section Chief of Minerals and Mining
PO Box 1060
Gallup NM 87305

F-31-29-17

Re: Bond Collection for Plugging of Vista Resources Navajo Tract 20 #3 (a.k.a. #22-31)
API #30-045-22416

Dear Ms. Drywater:

We rigged up and plugged the referenced well as an emergency plugging operation from June 16 to June 21, 1996. The well was flowing salt water, gas and oil to the surface around the wellhead and posed a threat to human health and the environment. I have attached a copy of the plugging procedure that we used, a copy of the invoice from the plugging company and other documents which may be helpful for your files.

The #31 well was spewing salt water from the well head and has been temporarily stopped by the replacement of a valve on the wellhead.

Our plugging fund is currently at a low point. We will be placing the other three Vista Resources wells into our regular plugging program when we hear from our Santa Fe office that the plugging fund has been rebuilt to a point that we can continue.

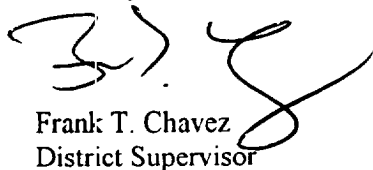
The United States Bureau of Land Management has reviewed the procedures and inspected the well site.

We appreciate the cooperation and assistance we received from the Navajo EPA and Navajo Grazing office.

According to your offer to use the proceeds from the operator's bond to reimburse the fund used to plug the well, please make the check payable to "New Mexico Oil and Gas Reclamation Fund."

To casually abandon and neglect these wells as Vista Resources did is a gross violation of existing laws and rules and regulations. Such actions could have led to direct serious harm to people and the environment. I have contacted our legal staff about pursuing action against the principals of the corporation. This may be difficult given corporate law. I suggest that the Tribe also look into some sort of legal action.

Sincerely,


Frank T. Chavez
District Supervisor

FTC'sh

cc: Operator file, Well file