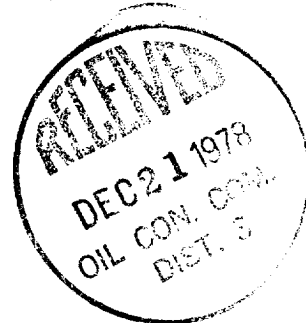


ALBERT R. GREER
PETROLEUM ENGINEER
221 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO 87401

December 20, 1978

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Box 2088
Santa Fe, New Mexico 87501

Attention: Lynn Teschendorf
General Counsel



Re: UNIT N, SECTION 10, T-30N,
R-11W, SAN JUAN COUNTY:
REQUIREMENT TO PLUG OR RETURN
TO ACTIVE STATUS

Gentlemen:

This has reference to your letter of December 18th addressed to Mr. Jason Kellahin advising that the captioned well should be plugged, returned to active drilling status or put on production by January 15th or legal proceedings will be commenced for violation of the Division's order.

First, I appreciate the Division's patience in allowing the time so far granted; I believe, however, that no useful purpose can be served by instituting legal proceedings at this time, for the reasons described below.

I believe the Court will find that my father's estate is not the legal owner of the well. I realize that it shows this way on the Division's records, but it seems to me that any court proceedings will go beyond what is on the Division records - and it may be simply that someone failed to file a transfer order, and the ownership will be established as someone other than my father's estate.

At this point, however, it does not appear to be that simple. The chain of title is not complete in instruments on record, so we are reduced to attempting to determine the intent of the parties who entered into trades fifteen years ago, some of whom are now deceased.

I realize that a quiet title suit might be one way to settle the issue - but on the other hand I believe that the attorneys who would probably become involved would simply ask the Court for the time to research the circumstances and attempt to do exactly what I am trying to do myself, and I doubt that they can do it any faster than I can.

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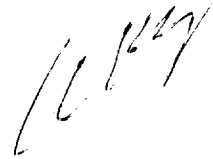
Energy and Minerals Department
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I expect to have a response in the next two weeks (if the holidays do not interfere too much) from one of the key parties on record, and depending upon this response, there will be only two or three more steps left to reach a determination.

As I have indicated before, since the well is in my father's name in the Division's records, I realize and accept a responsibility to help the Division settle this matter, and I regret and apologise for the time it is taking. I do wish to assure you, however, that I am working on the matter, and perhaps by January 15th we will have settled the ownership of the well. This is a necessary first step before any of the acts the Division requires can be undertaken, but hopefully it would not be long thereafter that the Division would be satisfied by whomever the owner turns out to be.

Yours very truly,



Albert R. Greer

cc: Mr. Jason W. Kellahin
Box 1769
Santa Fe, New Mexico 87501

cc: Mr. Al Kendrick
Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

ARG:ney