

September 10, 2004

Faxed and Certified Mail

Mark E. Fesmire, P.E.
Division Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Well located at G-13-25S-36E
2310' FNL & 2050' FWL
Lea County, New Mexico

Case 13345

Dear Mr. Fesmire:


Maralo is in receipt of a faxed copy of your letter dated September 9, 2004.

As an accommodation and an attempt to minimize the risk of injury or damage, Maralo is agreeable to assist the State of New Mexico by supplying a water truck to attempt to kill the flow of gas to the surface from the captioned well.

Please understand, however, that this is not a waiver of any of our legal rights. This is not and never has been our wellbore and we have never claimed responsibility for this well. We believe further action on this well is the responsibility of the State of New Mexico and would suggest that the State take immediate action.

Please realize further that we cannot be responsible for any cost incurred by the State in connection with this well.

Yours very truly,


Joe C. Pulido, CPL
Land Manager

JCP/sg

cc: Rick Strange – Cotton Bledsoe
Bill Solomon



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 9, 2004

Maralo LLC
P.O. Box 832
Midland, TX 79702

Case 13345

Re: Well located at G-13-25S-36E, 2310 FNL, 2050 FEL, Lea County, New Mexico

Ladies and Gentlemen:

The Oil Conservation Division has discovered a well that is producing natural gas to the environment at the above location. This location is on Maralo's Stephens A Lease, and it must be plugged. The well approximately is 210 feet ENE of the plugged and abandoned Maralo Stephens "A" #1 30-025-09770.

Pursuant to OCD Rules 201 and 116, Maralo is requested to take immediate action to properly plug and abandon the referenced well and stop the release of natural gas to the environment. It is our understanding that your company has acknowledged responsibility for this well and will proceed accordingly.

Should you have questions, please feel free to call the undersigned at (505)-476-3460.

Very truly yours,

Mark E. Fesmire, P.E.

Division Director

cc: Roger Anderson, OCD Environmental Bureau Chief
David K. Brooks, Assistant General Counsel
Chris Williams, OCD District Supervisor, Hobbs