

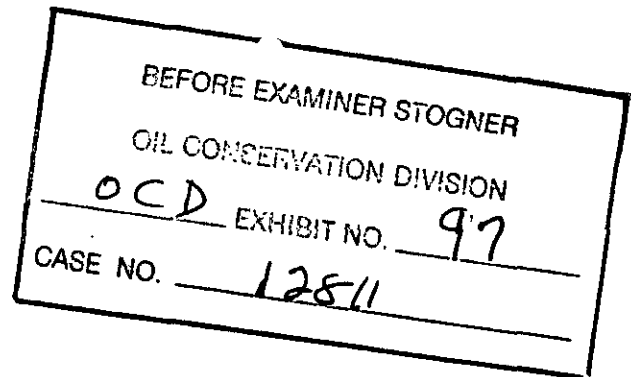
KC Resources, Inc.

P.O. Box 1118  
Cardiff, CA 92007

(760) 632-8467 Phone  
(760) 635-1980 Fax

January 4, 2001

Mr. Tim W. Gum, District II Supervisor  
State of New Mexico  
Oil Conservation Division  
811 South First Street  
Artesia, New Mexico 88210



Re: Inactive Non-Compliance Wells Letter (Copy attached)

Dear Mr. Gum:

Pursuant to our conversation this morning, please accept this letter in response to your Inactive Non-Compliance Wells Letter dated December 26, 2000.

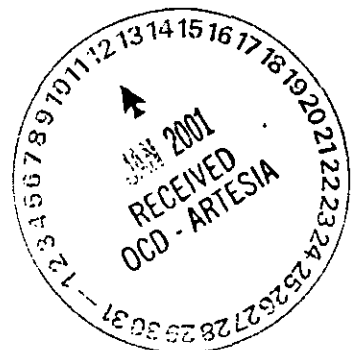
Regarding the Paul Terry #2 Well, we are currently doing an Engineering Evaluation that should be completed in the next 30 days. We may Recomplete or Plug the Well based on the findings and subject to Rig availability.

When we have a rig, we will inform your office in order to bring the non-compliant Well into compliance.

If you have any questions please do not hesitate to call.

Sincerely,

Joe Palmer  
Oil & Gas Production Accountant



**New Mexico Oil Conservation Division**  
**Energy, Minerals and Natural Resources Department**

811 South First Street, Artesia, NM 88210  
 2040 South Pacheco, Santa Fe, New Mexico 87505



**Data Management Program**  
**"Embracing 21st Century Technology"**

06-Oct-00

KC RESOURCES INC  
 PO BOX 1118  
 CARDIFF CA 92007-



OGRID 122912

Attention: Regulatory Department

Re: Current Status of Oil and Gas Well(s)

Dear Sirs:

Division records indicate that you are the current operator of the following described oil or gas well(s) in New Mexico. Upon review of our records, apparently there has been a continuous, minimum one year period in which production volumes greater than zero have not been reported or, no report has been sent to the Division on Form C-115 as required by Division Rule 1115.

In an attempt to update our records and ascertain the nature of the non-reporting, the Division requests that you supply the following information:

1. Is your company the current operator of these oil or gas well(s)? *yes*
2. Are these well(s) active and currently being produced? If not, have the well(s) been temporarily abandoned, converted to injection, etc., and the proper paperwork filed with the appropriate District Office?
3. Are the produced volumes being reported to the Division on Form C-115? *yes, but no production*
4. If the well(s) are not currently being produced, does your company plan to reinstitute production operations on these well(s) in the near future? *yes, subject to rig availability (see letter)*

If the subject well(s) have been shut-in longer than one (1) year and/or in a non-reporting status, the Division will require the well(s) to be brought into compliance with the Oil Conservation Division Rules and Regulations.

Please direct a copy of this letter with the provided response areas completed within 45 days to the Artesia District Office.

If you should have any questions, please contact at 505-748-1283 () at the Artesia District Office.

\*If the nature of the problem is reporting, we will contact your representative Gae Palmer - (name)  
 at (714) 953 - 3330 (area code/number). *as of 1/10/01*

Your cooperation is appreciated,

New Mexico Oil Conservation Division Staff

Responses should only correct wrong information. If all data indicated is correct for a particular well, no response entries should be made on that line. If all information is correct, please initial here JD and return a copy of this letter in its entirety. The following are ONGARD codes for Well Type:

Valid Well Types: O = Oil, G = Gas, I = Injection, S = Salt Water Disposal, M = Miscellaneous

(Please refer to Rules 201, 202 and 203 for definitions of proper P and A and TA procedures.)

\*\*For the purpose of this letter, "inactive" is defined as 1) no production reports, 2) a prolonged period of reporting 0 (zero) production or, 3) a prolonged period of the well being shut-in.

JONES D

Well No.	API Number	Location	Well Type	Years Inactive**
002	30015203750000	I 13 18 9 26 E	O	2

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: ☐ 1 / 1

Well is Producing ☒ TA'd? ☐ Plugged? ☐ Shut-In? ☐ Convert to Inj/SWD ☐ Date of Action Checked

004 30015204200000 2 18 18 S 27 E 0 2  
 Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: ☐ 1/1/1  
 Well is Producing ☒ TA'd? ☐ Plugged? ☐ Shut-In? ☐ Convert to Inj/SWD ☐ Date of Action Checked

005 30015204210000 3 18 18 S 27 E 0 2  
 Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: ☐ 1/1/1  
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked

## PAUL TERRY ET AL GAS

Well No.	API Number	Location	Well Type	Years Inactive**
002	30015108600000	H 18 18 S 26 E	G	2

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: ☐ 1/1/1  
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON  
Governor  
Jennifer A. Salisbury  
Cabinet Secretary

Lori Wrotenbery  
Director  
Oil Conservation Division

## FINAL NOTICE

### CERTIFIED MAIL

DECEMBER 26, 2000

KC RESOURCES INC  
P.O. BOX 1118  
CARDIFF CA 92007



### RE: INACTIVE NON-COMPLIANCE WELLS

The Oil Conservation Division (OCD) currently is addressing all inactive non-compliance wells as a top priority statewide project. A mass mail out was made on May 11, 2000 requesting information from each operator that had inactive wells. A second mail out was made on September 8, directing each operator as part of this project to provide additional information based on how they had responded to the May 11, 2000 letter.

By copy of this letter, the OCD director is requested to schedule a "Show Cause Hearing" to allow you the opportunity to appear and to show way a shut in order, order to plug and abandon all inactive non-compliance wells and/or to call for the forfeiture of your statewide bond is not issued. If your bond is called you can no longer operate in the State of New Mexico.

The "Show Cause Hearing" will be stayed if an aggressive plan being detailed and specific as to type of work and time frame to bring all non-compliance wells into compliance is received in this office within 30 days of receipt of this letter.

Attached is the latest (11/16/00) OCD list of inactive non-compliance wells for your company.

TIM W. GUM

*Tim W. Gum*

DISTRICT II SUPERVISOR  
OIL CONSERVATION DIVISION

XC: LORI WROTENBERY ---- DIRECTOR  
OCD ATTORNEY  
ATTACHMENT

API #	Type	Last Production/ Injection	Well Name and Number	ULSTR	OCD Unit Letter	FNS	FEW
30-015-10860	G	09-1994	PAUL TERRY ET AL GAS COM #002	H-15-18S-26E	H	1650N	990E