Terry T. Smith

May 9, 1985

Dear Roy:

When I discussed with you on April 10th the plugging procedure for this well, we had a fish consisting of drill pipe, drill collars, and test tools with 4 packers stuck in the hole with top at 3700'. We were not optimistic about recovering the fish at that time. We were finally able, however, to pull the fish by displacing all mud in the hole with nitrogen. When we ran drill pipe to circulate the well, we were not able to get below the 3700' depth due to differential sticking problems. Evidently in this hole the formations are substantially under-pressured from 3700' to TD, including the Granite Wash section. This under-pressure is what caused our test tools, drill collars, and drill pipe to stick ($150,000 potential liability). We therefore proceeded to plug the well as we had discussed over the telephone.

We are cleaning up the location at present. We will notify you for the final inspection.

Terry T Smith