

DEC 16 '96

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

O. C. D.
ARTESIA OFFICE

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
GOVERNOR

JENNIFER SALISBURY
CABINET SECRETARY

December 10, 1996

PELTO OIL CO.
ONE ALLEN CENTER STE 1800
HOUSTON, TX 77002

RE: Properly Abandoned Wells

The State of New Mexico is in the process at this time of reviewing leases and determining the number of inactive wells.

Rule 201 A. states "The operator of any well drilled for oil, gas or injection, for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof."

Rule 201 B. states "A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within (90) days after (1) a 60 day period following suspension of drilling. (2) A determination that the well is no longer usable for beneficial purposes. (3) A period of 1 year in which a well has been continuously inactive."

House Bill 65 has been passed by the Legislature and provides a 3.75% tax incentive for wells put back in production. However, if there are no plans to put this well back in service then it needs to be either plugged or properly temporarily abandoned.

Please use Form C-103 and Form C-139 for the 3.75% tax incentive to indicate your intentions for the following inactive well(s):

O'BRIEN D #1 D-12-9-28

Please advise this office within 30 days of the date shown above as to your intentions or any change of status for the above listed well(s). If you have any questions or if you need any help - feel free to stop by the office and visit with us.

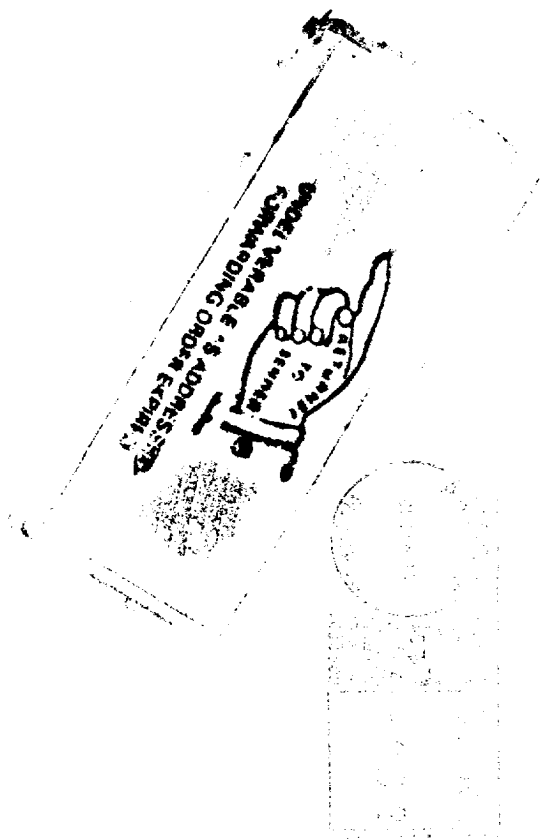
Sincerely,

Tim W. Gum
Supervisor District II

ENERGY, MINERALS, & NATURAL RES. DEPT.

Oil Conservation Division
P.O. Drawer DD
Artesia, New Mexico 88211-0719

Plunk sent for the well



77002/1203

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