

February 28, 1997

W. J. Conover
6804 Slide Road
Lubbock, TX 79424
Ph. # 806/794-8645

Kenneth Owens
P.O. Box 1042
Magdalena, NM 87825
Ph. # 505/854-2963

DRAFT

Burt Breedlove
General Adjuster/Western Division
American Manufacturers Mutual Insurance Co.
80 Blue Ravine Road
Folsom, CA 95630-4702
Ph. # 916/351-7500 or 800/932-6657

RE: J.M. Lewelling Well No. 1 located in Unit D, Sec. 12, T-12-South, R-9-East, Otero County,
New Mexico
American Manufacturers Mutual Ins. Co. Bond # 8SE 295 769 (American Manufacturers
File No. 780 SE 010984 and Bond No. 3SF 295769 00 per March 3, 1995 letter): \$10,000

Dear Gentlemen:

Reference is made to the above-listed oil and gas well and plugging bond. This well and bond were assigned a case number (Case No. 11203) in early 1995. The Oil Conservation Division was proceeding to a "show cause" hearing whereby all interested parties were required to appear and "show cause" why this well should not be plugged and the bond foreclosed upon to plug the well if the operator of the well failed to plug it. Please note that due to the location of this well, it is likely that this well will be expensive to plug and that we would seek reimbursement by all available means from Mr. Conover if he fails to plug this well (above the amount of the \$10,000 bond we would access in that event).

The Division dismissed this case in March 1995 based upon representations of Mr. Conover and Mr. Owen that Mr. Owen would take over the well and use the well for ranch purposes on the ranch where the well is located. If this would occur, we would process the paperwork (Form C-104) to change the operator of the well to Mr. Owen once Mr. Owen posted a plugging bond and then release the \$10,000 American Manufacturers bond currently in place under Mr. Conover's name.

Subsequent to the dismissal of Case No. 11203, we learned that Mr. Owen had performed title work on the property in question but was experiencing difficulties in acquiring the well due to

the reluctance of the mineral interest owners involved to lease/assign their interests to Mr. Owen.

Frankly we are at a loss to explain why the landowners will not agree to Mr. Owen assuming operatorship of this well. If Mr. Owen, or somebody else, does not bring this well back into producing status, we will again proceed to plug this well which will result in the loss of royalties on any further gas production from this well. It would seem that any potential royalties is better than none at all.

The hole is already in the ground and waste of oil and gas is an issue if we are forced to plug a well that is capable of gas production.

Please respond to this letter by March 31, 1997, and inform us of the current status of this well. If we do not hear from you by that date, we will file another case for a "show cause" hearing why this well should not be plugged and the plugging bond used to plug the well if Mr. Conover fails to plug it.

If you have any questions, please feel free to call either myself at 505/827-8156 or Ray Smith, Field Representative with our Artesia District Office, at 505/748-1283

Sincerely,

Rand Carroll
Legal Counsel

cc: Ray Smith, OCD Artesia