

July 11, 1949

General Insurance Company of America
1723 Republic National Bank Building
Dallas, Texas

Attention: Mr. J. T. Lytal, Manager

Dear Sir:

Enclosed herewith you will find copy of a letter addressed to the Sheriff of Curry County, New Mexico in answer to the letter written by Mr. W. H. Spurrier, Secretary and Director of Oil Conservation Commission, Santa Fe, New Mexico.

I do not understand what they are driving at unless it was the fact that I did not prepare the bond prior to entering the state with my operations; however, I had talked with Mr. Spurrier by telephone and explained to him in person that I planned to drill this well and asked him to send me the proper forms to comply with their rules and regulations. My conversation with him was such that I did not give the matter any further thought other than prepare the forms and make application for the permit in routine manner until I was ordered to cease operations which was the reason for us having called you by telephone that you were the Secretary and Director, State of New Mexico, Oil Conservation Commission, Santa Fe, New Mexico and also Hobbs, New Mexico that bond was being issued.

After bond had been executed and all the proper forms filed with the Hobbs office of the Conservation Commission, we set 7" casing at 3,095 feet and moved the rotary rig from the location and at the present time are in the process of curing title to certain properties we hold in and near the A. W. Skarda #1 which is located in Section 3, Township 2 North, Range 32 East, Curry County, New Mexico, about two miles east of the town of Malrose.

It is my understanding of the rules and regulations that I could hold up the testing of this well to suit my convenience and if I have violated any of their rules since we have complied with their original requirements I do not know what it would be unless as mentioned by Mr. Spurrier in his letter to Mr. W. H. Collins, Sheriff of Curry County, wherein he mentions the rat hole being opened. I have notified the Western Drilling Company of this rat hole being opened and asked them to fill same.