



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

DISTRICT I HOBBS
1625 N. French Drive, Hobbs, NM 88241
(505) 393-6161
FAX (505) 393-0720

Jennifer A. Salisbury
CABINET SECRETARY

May 5, 2000

KC Resources Inc
PO Box 1118
Cardiff, Ca 92007

RE: New Mexico BH State NCT-1 #1
UL C, Sec. 11, T12S, R32E
New Mexico BH State NCT-1 #2
UL F, Sec 11, T12S, R32E
New Mexico BH State NCT-1 #3
UL E, Sec 11, T12S, R32E
New Mexico BH State NCT-1 #4
UL D, Sec 11, T12S, R32E
New Mexico BB State NCT-1 #1

Gentlemen:

Through routine inspection it has come to our attention that the above referenced wells have been shut in for and extended period of time. A review of our records shows that this well has not been Temporarily Abandoned. Production wells can not be shut in for longer than a year.

The following options are available regarding the future disposition of this well:

1. Restore the well to production.
2. Set plug, conduct mechanical integrity test, and request temporary abandoned status.
3. Submit a proposal to plug and abandon the wells, proceed with plugging on a timely basis after the proposal has been evaluated, amended and or approved

To avoid further action on these wells the NMOCD request that you submit a NMOCD form C-103 detailing us your intent for each of your wells within 30 days of receipt of this letter. NMOCD forms are available of the internet www.emnrd.state.nm.us .If you do not respond we will have no choice but to schedule a Show Cause Hearing. We request that you notify this office 24 hours prior to any operation in order to witness the operation, whether it is repair or plugging and pressure test upon completion of repairs or to request TXA status.

Very truly yours
OIL CONSERVATION DIVISION


Billy Prichard
Deputy Inspector, District 1

Xc: Chris Williams
Gary Wink
Sylvia Dickey
Lyn Hebert
File