

J.C. WILLIAMSON

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December 18, 1996

Bureau of Land Management  
414 West Taylor  
Hobbs, NM 88240

Attention: Mr. V. R. Balderez and A. Massengill

Re: APD Federal #1, SWSE/4 of Section 10 T23S R34E, Lea County NM

Gentlemen:

I am in receipt of your Incidents of Noncompliance of 12/13/96.

I am no longer the operator of this lease but it is still temporarily under my bond. My farmout has expired with Hunt Oil and Mid-Continent Energy of Tulsa OK. However, I am still responsible for the well we opened on this lease (S/2 of SE/4 of Section 10-23-34). Please see the enclosed map.

We are present at a depth of 7460' on the TOCO LLC #1 Newkumet, a re-entry of the former Patterson Petroleum Company #1 Newkumet Federal which was formerly drilled to 7250' by the above named company. I am paying for part of the expense of deepening this well to 8000' and we are drilling today toward that depth. We are intending to drill to that depth and then run 4-1/2" casing for a test of various Delaware sand zones found and to be found in this re-entry and drill deepening process.

If the #1 Newkumet is found to be productive, this company, TOCO, LLC, and I will renew the farmout of the APD, drill to 8000' and make an attempt to complete this well for a Delaware producer. If we fail to get the farmout renewed, we will immediately present the BLM with a plan to plug the well and plow and re-seed the location.

Please extend the limits of our time to re-enter this second well. I am quite sure that if we do not re-enter the APD well that no one else will do so and the hole and the expense that has already been out will be wasted.



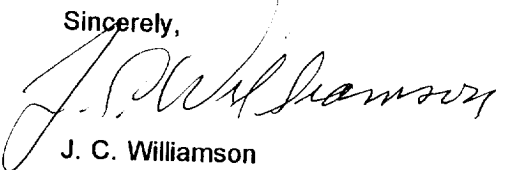
page 2  
BLM

I believe that TOCO LLC #1 Newkumet will be completed early in January or plugged and abandoned by this time.

Please know that the Williamson #2 AAA Federal, located 1980' FSL and 1980' FEL of Section 10 has recovered 230,000 barrels of 42 degree sweet oil from the zones that we will be testing in the Newkumet and in the APD Federal well.

Some time please gentlemen.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. C. Williamson".

J. C. Williamson