

J. W. MULLOY ASSOCIATES, INC.

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JOHNNY MULLOY
President

HUDSON ROUTH
Vice President

June 5, 1996

State Of New Mexico
Oil Conservation Division
P.O. Box 1980
Hobbs, New Mexico 88241-1980

Attention: Mr. Jerry Sexton, District Director

RE: Sale of Test Oil
Dusty Mac Resources, Inc
Madera-Federal 12 #1
Unit K, Sec 12 T-26-S R-34-E
Lea County, New Mexico

Dear Mr. Sexton,

The subject well was drilled in May 1995 to a depth of 12,950', as was set out in the permit approved by the Bureau of Land Management on 3-17-95. When the 7 7/8" hole reached this depth, no productive hydrocarbon bearing zones were felt to be present.

At this time, approval was obtained from Shanon Shaw, of the BLM, to temporarily abandon the well, move off the small drilling rig, move in a larger rig and run 7" casing. The plan was to re-permit the well to a depth sufficient to test the Atoka/Morrow section. On 5-7-95 the rig was moved off a 11" flange was placed on the 11" spool and the well temporarily abandon.

For various reasons, nothing was done on this well until early in 1996, when at the insistence of the BLM, it was decided to set a bridge plug in the bottom of the 8 5/8" casing, near 5200'. On 3-21-96, when an attempt was made to remove the 11" flange, it was discovered that the hole was standing full of oil. The casing valve was opened and the well flowed approximate 150 barrels of oil from an unknow zone.

This renewed the operator's interest in the well and the BLM was put off again while efforts were made to get joint interest operator's approval to set 5 1/2" casing in this well. Time went on and little progress was made toward reaching a decision as to what the various owners wanted to do with the well.

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By May, 1996 a decision was made, aided by pressure from the BLM to terminate the situation, to plug and abandon the well. When work actually commenced on 5-30-96, it was discovered that the oil produced earlier had been stolen. This act was reported to the proper authorities and to date, nothing has been determined as to who took the oil.

Work to abandon the well began on 5-30-96 and by 6-6-96 the work was virtually complete. During this operation approximately 150 barrels more were recovered from the well. Your office was contacted in reference to this problem and it was discussed with Nelda. We were instructed to file a form C-104 requesting permission to sell this oil. Permission was verbally obtained at that time and Eott Energy Corp. was instructed to pick-up this oil.

The C-104 is attached for your approval. Your assistance in this matter is appreciated and if you need additional information, please contact the undersigned at 915/687-0323.

Yours Very Truly,

J.W. MULLOY ASSOCIATES, INC

A handwritten signature in dark ink, appearing to read "J.W. Mulloy", is written over a faint, circular embossed or stamped seal. The signature is fluid and cursive.

J.W. MULLOY

JWM/bh
Attachments

