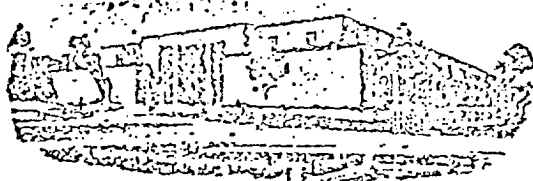




State of New Mexico



RECEIVED
OCT 07 1977
Land Administration

Commissioner of Public Lands
October 5, 1977

L. R. LUCERO
COMMISSIONER

P. O. BOX 1143
SANTA FE, NEW MEXICO 87501

REGISTERED MAIL-
RETURN RECEIPT REQUESTED

Allied Chemical Corporation and
Texas Pacific Oil Company, Inc.
P. O. Box 2120
Houston, Texas 77001

Re: State of New Mexico Oil and Gas
Lease No. B-148-10, NW/4NW/4,
S/2NW/4 Sec. 32-T24S-R37E,
Lea County, New Mexico

ATTENTION: Land Department

2137 (N. Mex)

Gentlemen:

An audit of the subject lease reveals this acreage is not producing gas from the non-unitized Jalmat formation. The acreage is surrounded and offset by Jalmat gas wells located in the SE/4SW/4 Sec. 29, NE/4NE/4 Sec. 31, NE/4NW/4 and SW/4NE/4 of Sec. 32, all in Township 24 South, Range 37 East.

It is our opinion this acreage is being drained of Jalmat gas by non-state and other State wells not under your lease.

Pursuant to the provisions of Chap. 7-11-14, N.M.S.A. 1953 Comp. you are hereby given thirty (30) days from this date to furnish this office with your plan of development to either drill, pay compensatory royalty or other positive action to protect Jalmat gas from being drained from this acreage. Failure to comply with this request will subject your lease to cancellation notice without further action.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division
Phone 505-827-2748

PRL/RDG/s

cc: Lease B-148-10

RECEIVED

FEB 20 1978

OIL CONSERVATION COMM.
HOBBS, N. M.