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JAMES A. ARTLEY

February 19, 1990

27-34N-10W
API# 067-05623Mr. James Kenney
Sr. Professional Engineer
Oil and Gas Conservation Commission
Suite 380 Logan Tower Building
1580 Logan Street
Denver, CO 80203

Re: Bonding Requirements under Rule 304

Dear Mr. Kenney:

In response to your October 18, 1989, letter, I wish to advise that the undersigned Trustees are currently operators of McCulloch Well Nos. 2 and 5. McCulloch Well No. 3 is operated by Mobil Exploration and Producing U.S., Inc. Also, we have never operated McCulloch No. 1, which was drilled by United Oil and Gas Company, and which I understand was never a producing well. As I advised you, the Corporation, United Oil and Gas Company, is no longer in existence to my knowledge.

Insofar as the plugging bond covering Well Nos. 2 and 5 is concerned, I have contacted an insurance carrier here with whom I do business, and they were unable to furnish me with a company in New Mexico that writes such bonds. You indicated that you were familiar with insurance companies that do write such bonds for wells in Colorado, and I would appreciate receiving the names and addresses of these companies so I can contact them.

Sincere regards,

Charles C. Spann for
Strong, Spann & Jackson, Trustees

CCS:CS

MARK - I'm sure this is already
on your list of "TO INSPECT", BUT
HERE'S LATENT INFO. I'm sure we'll
END UP PAYING AN EMERGENCY FUND.

RECEIVED

FEB 21 1990

COLO. OIL & GAS CONS. COMM.

OIL AND GAS CONSERVATION COMMISSION

DEPARTMENT OF NATURAL RESOURCES

SUITE 380 LOGAN TOWER BUILDING

1580 LOGAN STREET

DENVER, COLORADO 80203

(303) 894-2100

WILLIAM R. SMITH

Director

DENNIS R. BICKNELL

Deputy Director

ROY ROMER
Governor

January 22, 1990

Spann, Latimer, & Holloway Law Offices
P. O. Box 1031
Albuquerque, N.M. 87103

ATTN: Mr. Charles Spann, Attorney

RE: Bonding Requirements under Rule 304
#1 McCulloch, SE SW 27-34N-10W
#2 McCulloch, NW SE 27-34N-10W
#5 McCulloch, SE SE 28-34N-10W

Dear Mr. Spann:

On October 18, 1989 Mr. James Kenney, of this office, contacted you in regards to attaining security bonding on the referenced wells. This office has received no correspondence from you in return.

We wish to assure you that this is a most serious matter that will be addressed by this office in whatever manner is necessary.

Attached is a copy of Rule 304 explaining the requirements of plugging security under Colorado law. We are willing to assist you in any way we can to achieve compliance within a reasonable time frame, but we cannot do so unless you communicate with us.

Unless you explain to us what steps you are implementing to achieve compliance with Rule 304 by February 22, 1990 we will have no choice but to take corrective action.

We have two immediate courses of remedial action. First, we may revoke Form 10, Authorization to Transport Oil or Gas, for these wells. We would notify El Paso Natural Gas of this revocation, and in essence these wells will be shut-in. Second, we may issue your firm a Notice of Hearing (along with a subpoena to appear). At the time of hearing we will ask the Commissioners to implement CRS 34-60-121, which allows for a \$1000 per day penalty assessment for each day that you have been, are, and will be in violation of Rule 304. These are options we would prefer not to be required to implement.