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PONCHO PRODUCTION COMPANY
8939 Pearl Street, #1521
Thornton, Colorado 80229
(303) 650-1580



July 26, 1996

Ms. Jackie Hoke
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Re: Jolly "D" No. 3
API # 05-121-05682
NE NW 8-3S-55W
Washington County, Colorado

Dear Jackie:

Enclosed is a Form 4 - Sundry Notice for your approval regarding the plugging and abandonment of the Jolly "D" #3 well in Washington County. As you may recall from our telephone conversation of this afternoon, this well is the subject of a Notice of Violation which you issued on January 26, 1996 requiring the final abandonment by this date. Furthermore, we discussed the nature of the negotiations with the surface/mineral owner regarding the takeover of the well by either herself or another operator and the slow pace of a final resolution of this matter.

Ed Binkley in Fort Morgan is familiar with the situation involving this well and the ongoing progress of the abandonment and restoration of the final 13 wells and associated facilities in the Poncho Field by our company. This work is not complete but has limited the time that I have had available for resolving this situation. Ed has stated that if necessary he will be available to discuss this matter with you.

Thank you for your time and consideration. Should you need any additional information, please do not hesitate to contact me immediately.

Sincerely,

Robert L. Vaclavik
President

Enclosures