

30735554

DOYLE HARTMAN

Oil Operator

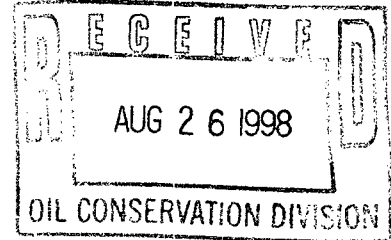
500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

August 25, 1998



VIA FEDERAL EXPRESS

Lori Wrotenbery, Director
Michael J. Stogner, Chief Hearing Officer
New Mexico Oil Conservation Division
2040 South Pochecho
Santa Fe, New Mexico 87505

Re: Doyle Hartman - C.T. Bates No. 4
160-acre Non-Standard Rhodes Gas Pool SPU
SW/4 SE/4, SE/4 SW/4 Section 10 and
NW/4 NE/4, NE/4 NW/4 Section 15
T-26-2, R-37-E
Lea County, New Mexico

Dear Ms. Wrotenbery and Mr. Stogner:

Reference is made to NMOCD Orders NSP-1292 and NSP-1292-A, that approved or reactivated three non-standard Rhodes Gas Pool SPU's in the 640-acre portion of the non-prorated Rhodes Gas Pool consisting of the S/2 Section 10 and N/2 Section 15, T-26-S, R-37-E, Lea County, New Mexico.

Reference is also made to NMOCD Order R-9870, that was approved April 14, 1993, and which created a new 160-acre single-well non-standard Rhodes Gas Pool SPU consisting of SE/4 SE/4 Section 10 and NE/4 NE/4, S/2 NE/4 Section 15, T-26-S, R-37-E, for dedication to the Meridian-operated Gregory "B" No. 2 gas well (now RFU No. 153) situated 990' FNL and 660' FEL Section 15, T-26-S, R-37-E. The Gregory "B" No. 2 well was spudded May 25, 1993, and was completed June 7, 1993, for a rate of 494 MCFPD. In addition to creating the 160-acre Gregory "B" No. 2 single-well non-standard proration unit, NMOCD Order R-9870 also contained the following additional findings and order:

(10) Meridian's proposal, although a variance of Division policy and rules, appears to be an acceptable plan to correct a situation previously forced on both Hartman's and Meridian's acreage holdings by the existing non-standard drilling tracts. . . .

(12) No interest owner and/or offset operator appeared at the hearing in opposition to the application

IT IS FURTHER ORDERED THAT:

Lori Wrotenbery, Director
Michael J. Stogner, Chief Hearing Officer
August 25, 1998
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(3) Any applicable operator who possesses the right to develop the Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SW/4 and SW/4 SE/4 of said Section 10 and the SW/4 NE/4 and NE/4 NW/4 of said Section 15, may petition the Division for administrative approval for a non-standard 160-acre gas spacing and proration unit comprising said acreage.

In consideration of the foregoing, please be advised that Doyle Hartman remains the owner of 100% of the leasehold estate corresponding to the heretofore non-drilled 160-acre Rhodes Gas Pool acreage consisting of the SW/4 SE/4, SE/4 SW/4 Section 10 and NW/4 NE/4, NE/4 NW/4 Section 15, T-26-S, R-37-E, and hereby petitions the NMOCD for administrative approval of the 160-acre non-standard Rhodes Gas Pool SPU consisting of SW/4 SE/4, SE/4 SW/4 Section 10 and NW/4 NE/4, NE/4 NW/4 Section 15, T-26-S, R-37-E. The newly activated 160-acre Rhodes Gas Pool SPU will be dedicated to the Doyle Hartman-operated C.T. Bates No. 4 well to be drilled at an amended orthodox gas location consisting of 660' FSL and 2,310' FWL of Section 10, T-26-S, R-37-E.

In compliance with Division General Rule 104(D)(2)(d), a copy of this application is concurrently being sent, by certified mail, to Gruy Petroleum Management Company, which is the only owner, other than Doyle Hartman, of immediately surrounding Rhodes Gas Pool gas operating rights. In this regard, please find enclosed herewith both a tabulation of all immediately surrounding Rhodes Gas Pool SPU's and a corresponding color-coded ownership plat depicting the four immediately surrounding Rhodes Gas Pool SPU's.

However, in consideration of the fact that

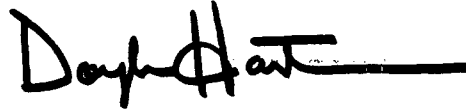
- (1) NMOCD Orders NSP-1292 and R-9870 were issued as a result of requests made by El Paso and Meridian (now Gruy),
- (2) the shape and positioning of the subject 160-acre C.T. Bates No. 4 non-standard drilling tract has been predetermined by previously issued NMOCD Orders NSP-1292 and R-9870,
- (3) all immediately surrounding Rhodes Gas Pool SPU's continue to be owned by either Gruy or Hartman, and
- (4) . . . The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or

Lori Wrotenbery, Director
Michael J. Stogner, Chief Hearing Officer
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gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy. . . ,

we hereby respectfully ask that the Division take administrative notice that there remains no affected party, with a right to object to this application, and waive the typical 20-day waiting period reserved for objections by offsetting owners.

Very truly yours,



Doyle Hartman

DH/ao
Enclosures

cc: **Via Certified Mail No. Z 034 697 179**
Return Receipt Requested
Richard Frazier, President
Gruy Petroleum Management Company
600 E. Las Colinas Boulevard, Suite 1200
Irving, Texas 75039

Gallegos Law Firm
460 St. Michaels Drive, Bldg. 300
Santa Fe, New Mexico 87505

Doyle Hartman, Midland
Attention: Steve Hartman Linda Land
Don Mashburn Cindy Brooks
Doyle Hartman, Dallas

Mr. David L. Sleeper
Land Department
Texaco Exploration and Production, Inc.
4601 DTC Boulevard
Denver, Colorado 80237

Mr. Warren J. Bates
P.O. Box 1357
Ada, Oklahoma 74821-1357

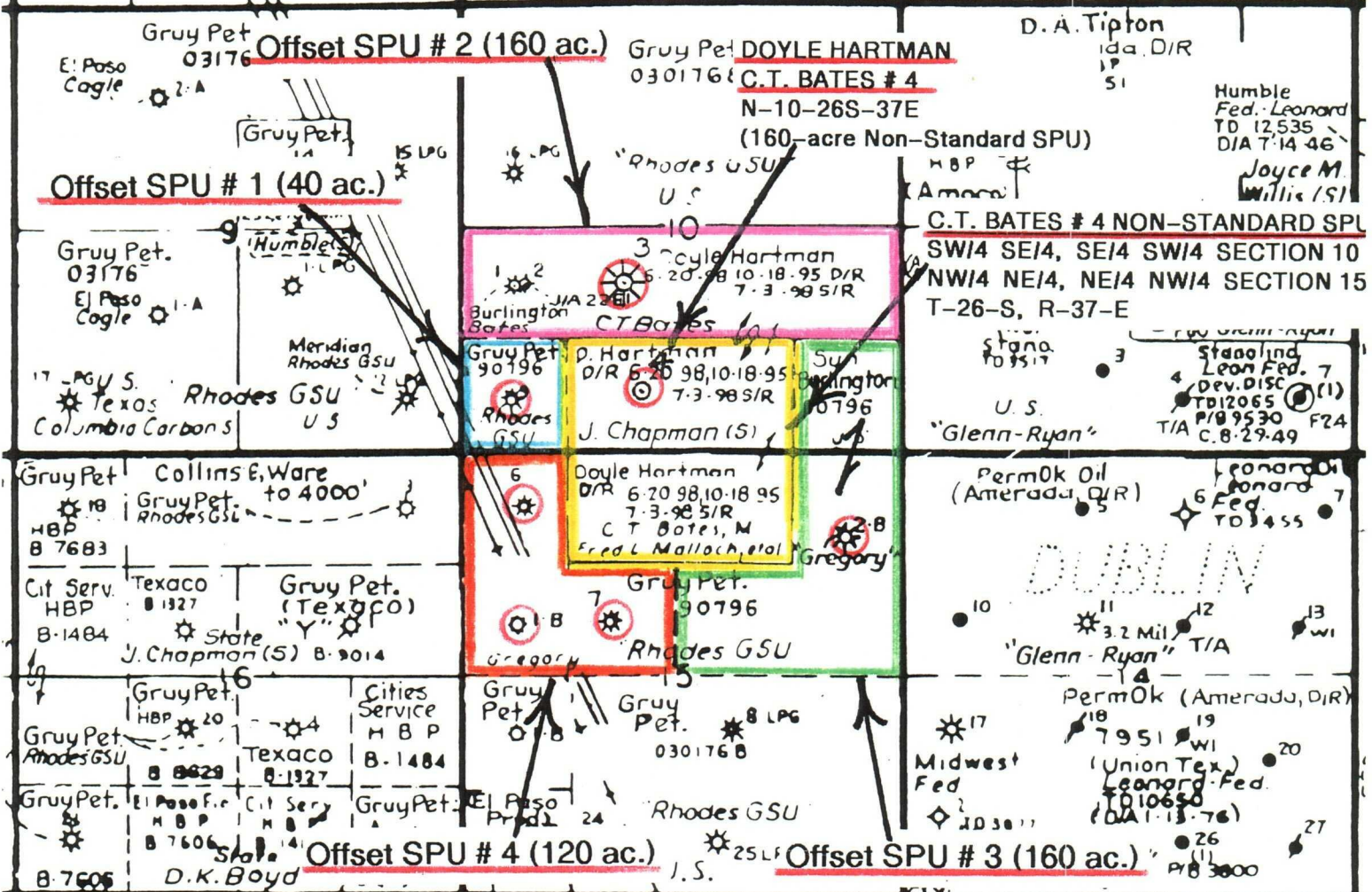
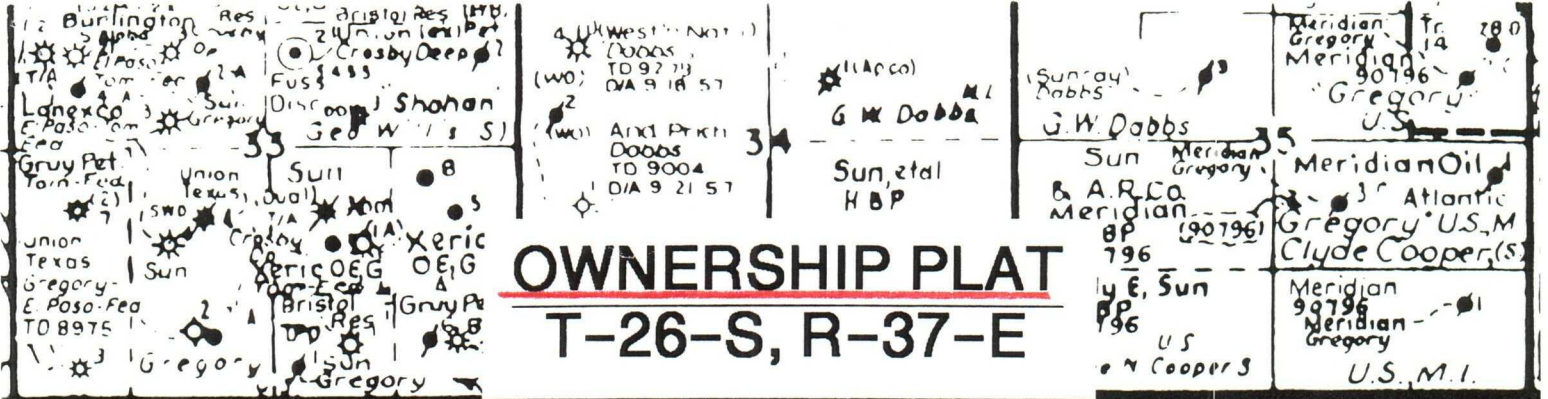
Lori Wrotenbery, Director
Michael J. Stogner, Chief Hearing Officer
August 25, 1998
Page 4

Mr. Warren J. Bates
P.O. Box 1357
Ada, Oklahoma 74821-1357

Zeno Farris, Manager of Operation Administration
Gruy Petroleum Management Company
600 E. Las Colinas Boulevard, Suite 1200
Irving, Texas 75039

Mr. Howard Miller, Engineer
Gruy Petroleum Management Company
600 E. Las Colinas Boulevard, Suite 1200
Irving, Texas 75039

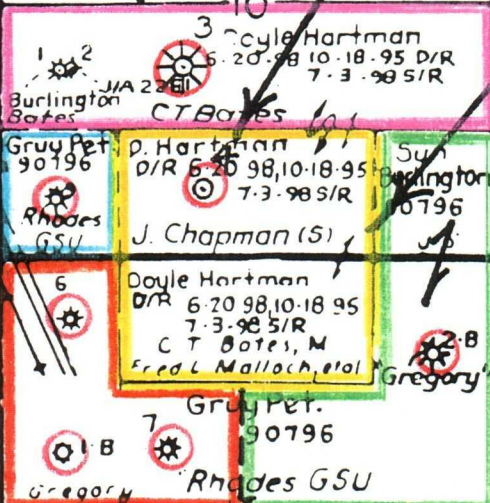
OWNERSHIP PLAT T-26-S, R-37-E



Offset SPU # 2 (160 ac.)
Gruy Pet. 03176
El Paso Cagle
Gruy Pet. 03176
Offset SPU # 1 (40 ac.)
Gruy Pet. 03176
El Paso Cagle
Rhodes GSU
Columbia Carbon S

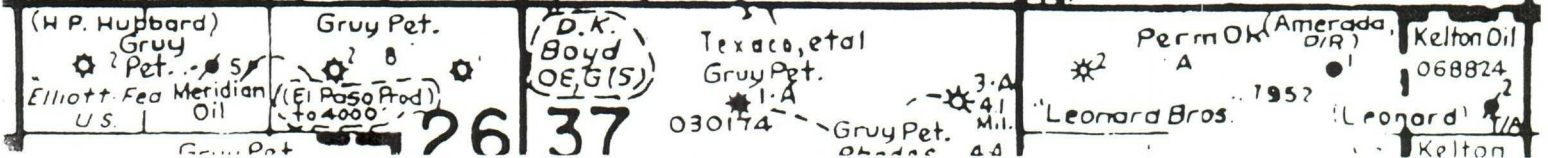
DOYLE HARTMAN
0301768
C.T. BATES # 4
N-10-26S-37E
(160-acre Non-Standard SPU)

C.T. BATES # 4 NON-STANDARD SPU
SW1/4 SE1/4, SE1/4 SW1/4 SECTION 10
NW1/4 NE1/4, NE1/4 NW1/4 SECTION 15
T-26-S, R-37-E
Stangland
Leonard
Dev. Disc
T-2065
P/O 9530
C.B. 29-49
F24



Offset SPU # 4 (120 ac.)
Gruy Pet. 03176
El Paso Cagle
Rhodes GSU
D.K. Boyd

Offset SPU # 3 (160 ac.)
Gruy Pet. 03176
El Paso Cagle
Rhodes GSU
J.S.



List of Offset SPU's

Doyle Hartman

C.T. Bates No. 4

N-10-26S-37E

Rhodes Gas Pool

OFFSETTING SPU's					WELL DEDICATIONS					
Offset SPU	Color Code	Operator	Acreage Description	Acres	Non-Standard SPU	NMOCD Approval	Well	Location	Simultaneous Dedication	NMOCD Approval
1	Blue	Gruy	SW/4 SW/4 Sec. 10 T-26-S, R-37-E	40	Yes	NSP-1292 (2-10-82)	Rhodes GSU No. 9	M-10-26-37	No	
2	Pink	El Paso	N/2 S/2 Sec. 10 T-26-S, R-37-E	160	Yes	NSP-1292 (2-10-82)	C.T. Bates No. 1 (P&A 2-88)	L-10-26-37	No	
		Hartman	N/2 S/2 Sec. 10 T-26-S, R-37-E	160	Yes	NSP-1292-A (1-11-91)	C.T. Bates No. 3	K-10-26-37	No	
3	Green	Gruy	SE/4 SE/4 Sec. 10 & NW/4NE/4, S/2 NE/4 Sec. 15, T-26-S, R-37-E	160	Yes	R-9870 (4-14-93)	Gregory "B" No. 2	A-15-26-37	No	
4	Orange	Gruy	NW/4 NW/4, S/2 NW/4 Sec. 10, T-26-S, R-37-E	120	Yes	NSP-1292 (2-10-82)	Rhodes GSU No. 6	D-15-26-37	Yes	R-6891 (2-1-82)
							Gregory "B" No. 1	E-15-26-37	Yes	R-6891 (2-1-82)
							Rhodes GSU No. 7	F-15-26-37	Yes	R-6891 (2-1-82)

NOTICE TO OFFSET OPERATORS

IN COMPLIANCE WITH NMOCD GENERAL RULE 104(D)(2)(d), THIS IS YOUR NOTICE THAT AFFECTED PARTIES, WITH STANDING, MUST FILE WRITTEN OBJECTIONS, WITH THE NMOCD, WITHIN TWENTY (20) DAYS OF THE MAILING TO YOU OF THIS NOTICE AND NON-STANDARD SPU APPLICATION.

104.D. ACREAGE ASSIGNMENT

(1) Well Tests and Classification. It shall be the responsibility of the operator of any wildcat gas well or development gas well in which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.)

- (a) Date of completion for a gas well shall be the date a wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.
- (b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.
- (c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Spacing Units. Any well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.

- (a) The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

(b) The Division Director may grant administrative approval to non-standard spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side; and
 - (ii) The non-standard spacing unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size, wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.
- (c) Applications for administrative approval of non-standard spacing units, pursuant to Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible.

- (i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

Exhibit "B"
Case No. 11351
Order No. R-10533
Page No. 8

Exhibit "B"
Case No. 11351
Order No. R-10533
Page No. 7

104.F. UNORTHODOX LOCATIONS

- (1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location.
- (2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.
- (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.
- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches.

Exhibit "B"
Case No. 11351
Order No. R-10533
Page No. 10

- (ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;
- (iii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and
- (iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests.
- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application.
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing.

- (3) Number of Wells Per Spacing Unit in Non-Prorated Gas Pools: Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.

104.E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage.

Exhibit "B"
Case No. 11351
Order No. R-10533
Page No. 9

Is your RETURN ADDI

on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Richard Frazier, President
Gruy Petroleum Management Company
600 E. Las Colinas Boulevard, Suite 1200
Irving, Texas 75039

5. Signature (Addressee)

6. Signature (Agent)

4a. Article Number

Z 034 697 179

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

Thank you for using Return Receipt Service.

Z 034 697 179



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent by <u>RICHARD FRAZIER, PRES.</u>	
Street and No. <u>600 E. LAS COLINAS BLVD., #1200</u>	
P.O. State and Zip Code <u>IRVING, TX 75039</u>	
Postage: \$	
Certified fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom Date and Addressee's Address	
TOTAL Postage & Fees \$	
Postmark or Date	

PS Form 3800, March 1993

Fold at line over top of envelope to the right of the return address

CERTIFIED

Z 034 697 179

MAIL

AVERAGE GRUY NET PAY ZONE VERSUS

BATES NO. 3 NET PAY ZONE

Rhodes (Yates-U7R) Interval

T-26-S, R-37-E

Lea County, New Mexico

Average Gruy Rhodes (Yates-U7R) Pay Zone:

Gruy document 0000403 states that the average pay zone consists of 12.2 hydrocarbon feet [$\phi \cdot h \cdot (1 - S_w)$].

Average Bates No. 3 Rhodes (Yates-U7R) Pay Zone:

For the Bates No. 3 Rhodes (Yates-U7R) interval, computer log calculations (utilizing 0.5-foot increment digitized log data) indicate a net pay zone of 13.0 hydrocarbon feet, for $R_w = 0.03$ ohm-meters ($S_w = 34.4\%$). For $R_w = 0.05$ ohm-meters ($S_w = 43.0\%$), the computed net pay zone is 11.3 hydrocarbon feet.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

February 10, 1982

POST OFFICE BOX 2068
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Attention: H. L. Kendrick

Administrative Order NSP-1292

Gentlemen:

Reference is made to your application for seven non-standard proration units consisting of the following acreage and wells in the Rhodes Gas Pool:

LEA COUNTY, NEW MEXICO
ALL IN TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 8: E/2 SE/4 and SW/4 SE/4 (120 acres)
Rhodes Stg. Unit Well No. 23

Section 10: N/2 S/2 (160 acres)
Bates Well No. 1

Section 10: SW/4 SW/4 (40 acres)
Rhodes Stg. Unit Well No. 9

Section 15: W/2 NW/4 and SE/4 NW/4 (120 acres)
Gregory "B" Well No. 1
Rhodes Stg. Unit Well No. 6
Rhodes Stg. Unit Well No. 7

Section 21: E/2 NE/4 and NW/4 NE/4 (120 acres)
Moberly "B" Well No. 1
Moberly "B" Well No. 2

Section 21: W/2 NW/4 and NE/4 NW/4 (120 acres)
Elliott Fed. Well No. 2
Moberly "C" Well No. 3

Section 22: E/2 SE/4 and NW/4 SE/4 (120 acres)
Rhodes "A" Well No. 2:

By authority granted me under the provisions of Rule 104 D II, the above non-standard proration units are hereby approved.

Sincerely,

JOE D. RAMEY,
Director

JDR/RLS/dr

cc: Oil Conservation Division - Hobbs
Oil & Gas Engineering Committee - Hobbs

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

LAND DIVISION

'91 JAN 31 AM 9 28

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

January 11, 1991

Doyle Hartman
c/o Daniel S. Nutter
105 E. Alicante
Santa Fe, NM 87501

Administrative Order NSP-1292-A

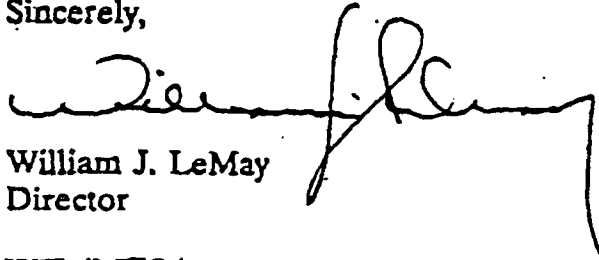
Dear Mr. Nutter:

Reference is made to your application dated January 9, 1991 to reactivate a 160-acre non-standard Jalmat Gas spacing and proration unit comprising the N/2 S/2 of Section 10, Township 26 North, Range 37 East, NMPM, Lea County, New Mexico, which was approved by Division Administrative Order NSP-1292, as amended. The original well dedicated to said acreage, the El Paso Bates Well No. 1 located at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 10, was plugged and abandoned thereby terminating said unit at that time.

It is our understanding at this time said unit is to be dedicated to Doyle Hartman's proposed Bates Well No. 2 to be drilled at a standard gas well location 1980 feet from the South line and 760 feet from the West line (Unit L) of said Section 10.

The above-described non-standard unit approved by said Order NSP-1292, as amended, is hereby reinstated. Said unit to be dedicated to the Bates Well No. 2 as described above.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Hobbs
Doyle Hartman - Midland



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 1, 1991

Doyle Hartman
c/o Daniel S. Nutter
105 E. Alicante
Santa Fe, NM 87501

Corrected Administrative Order NSP-1292-A

Dear Mr. Nutter:

It appears that Administrative Order No. NSP-1292-A does not correctly state the intended order of the Division. Therefore, the pool name should be changed to read "Rhodes Yates-Seven Rivers Gas Pool".

All other provisions of said Order No. NSP-1292-A shall remain in full force and effect until further notice.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Hobbs
Doyle Hartman - Midland



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

February 15, 1993

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87504
15051 827-5800

Meridian Oil Inc.
P. O. Box 51810
Midland, Texas 79710-1810

Attn: Leslyn M. Swierc, CPL

Doyle Hartman - Oil Operator
P. O. Box 10426
Midland, Texas 79702

Attn: Patrick K. Worrell, Engineer

**RE: Rhodes Yates-Seven Rivers Gas Pool Development in
Sections 10 and 15, Township 26 South, Range 37 East,
NMPM, Lea County, New Mexico.**

Dear Ms. Swierc and Mr. Worrell:

Meridian's recent application for a non-standard 120-acre gas spacing and proration unit comprising the NE/4 NE/4 and S/2 NE/4 of said Section 15 to be dedicated to the proposed Gregory "B" Well No. 2 to be drilled in Unit A and all related correspondence to same has forced the Division to review past, current, and future development of the Rhodes Yates-Seven Rivers Gas Pool ("Rhodes Gas Pool") in both said Sections 10 and 15 quite extensively. Development in both sections are as follows:

- The 40-acre non-standard gas spacing unit comprising the SW/4 SW/4 (Unit M) of Section 10, approved by Division Administrative Order NSP-1292, is dedicated to Meridian's Rhodes GSU Well No. 9 in Unit M;
- the standard 160-acre unit comprising the NW/4 of Section 10 is dedicated to Meridian's Rhodes GSU Well No. 16 in Unit E;

- the N/2 S/2 of Section 10, being a non-standard 160-acre unit approved by Division Administrative Orders NSP-1292 and NSP-1292-A has been developed by Meridian's Bates Well No. 1 (well P&A'd February, 1988) in Unit L and Hartman attempted to develop the same acreage with its C. T. Bates Well No. 2 (well was P&A'd in January, 1991 after encountering a severe waterflow during drilling) also in Unit L;
- the standard 160-acre unit comprising the SW/4 of Section 15 is simultaneously dedicated to Meridian's Cagle "B" Well No. 1 in Unit L and Rhodes GSU Well No. 24 in Unit N (simultaneous dedication occurred prior to the Division's July 27, 1988 Memorandum);
- the standard 160-acre unit comprising the SE/4 of Section 15 is simultaneously dedicated (pre-1988 authorization) to Meridian's Rhodes GSU Well Nos. 8 and 25 in Units J and O, respectively; and,
- the 120-acre non-standard gas spacing unit comprising the NW/4 NW/4 and S/2 NW/4 of Section 15, approved by Division Administrative Order NSP-1292, is simultaneously dedicated (pre-1988 authorization) to Meridian's Gregory "B" Well No. 1 in Unit F and Rhodes GSU Well No. 7 in Unit F.

The Rhodes Yates-Seven Rivers Gas Pool is an unprorated gas pool spaced on standard statewide 160-acre units and is subject to the two Division Memorandums dated July 27, 1988 and August 3, 1990 (see attached), which disallows the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools. It is the Division's opinion that said Memorandums reference to "proration units" equate to mean "standard gas proration units of standard size for the particular pool". The practice of operators forming non-standard spacing units in order to avoid the Division's simultaneous dedication policy is therefore prohibited. It should also be noted that forming non-standard spacing and proration units to avoid the compulsory pooling of acreage to form a standard sized unit, in most instances, is not considered just cause.

In this particular two section area, the undeveloped portions of the Rhodes Gas Pool consist of the NE/4 and NE/4 NW/4 of Section 15 and the NE/4, SE/4 SW/4, and S/2 SE/4 of Section 10. The NE/4 of Section 10 is a standard 160-acre unit and can therefore be developed without exception to the spacing rules, the remaining 320 acres comprising the SE/4 SW/4 and S/2 SE/4 of Section 10 and the NE/4 and NE/4 NW/4 of Section 15, however, will require a little ingenuity and jockeying of acreage to re-establish proper and prudent development of the Rhodes Gas Pool. The Division at this time will only consider authorization of the following:

Meridian Oil, Inc.
Doyle Hartman - Oil Operator
February 15, 1993
Page 3

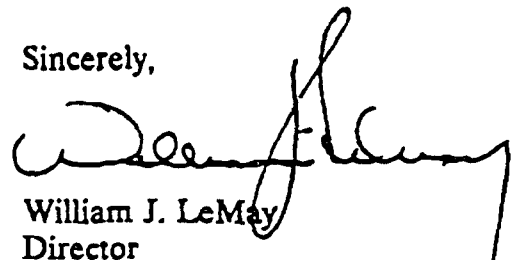
- the formation of a 160-acre non-standard gas spacing unit comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and S/2 NE/4 of Section 15 to be dedicated to Meridian's proposed Gregory "B" Well No. 2 to be drilled at a standard gas well location 990 feet from the South line and 660 feet from the East line (Unit A) of said Section 15; and,
- the remaining 160 acres, comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15, can be developed in the future by a single well to be drilled at a standard gas well location thereon.

Meridian's application for a non-standard 120-acre gas spacing and proration unit in the Rhodes Gas Pool comprising the NE/4 NE/4 and S/2 NE/4 of said Section 15 is therefore denied. Should Meridian choose to pursue this matter, an application for hearing must be filed with the Division requesting approval for the aforementioned 160-acre non-standard gas spacing and proration unit. Any such order from the Division will necessarily include a procedure of notification for the ensuing 160 acres to be authorized administratively.

Meridian will still be required to provide adequate notice pursuant to the provisions of General Rule 1207.A.(6).

Should you have any question or comments concerning this matter, please contact either Larry Van Ryan, Chief Engineer or Michael E. Stogner, Chief Hearing Officer in Santa Fe at (505) 827-5800.

Sincerely,



William J. LeMay
Director

cc: Oil Conservation Division - Hobbs
Larry Van Ryan - Santa Fe
Robert Stovall - Santa Fe
Michael Stogner - Santa Fe
U. S. Bureau of Land Management - Carlsbad
W. Thomas Kellahin - Santa Fe
File: NSP-1292

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 875
15051 927-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C 11 OF THE GENERAL RULES AND REGULATIONS

DATE: JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unregulated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

dr/

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2056
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87504
(505) 827-5900

MEMORANDUM

TO: ALL OPERATORS
FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*
SUBJECT: RULE 104 C II OF THE GENERAL RULES AND
REGULATIONS
DATE: AUGUST 3, 1980

On July 27, 1980, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10683
ORDER NO. R-9870

**APPLICATION OF MERIDIAN OIL, INC. FOR A NON-STANDARD GAS SPACING
AND PRORATION UNIT, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 18, 1993 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 14th day of April, 1993 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Meridian Oil Inc. ("Meridian"), seeks approval of a 160-acre non-standard gas spacing and proration unit in the designated and Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and the S/2 NE/4 of Section 15, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, said unit to be dedicated to its Gregory "B" Well No. 2 to be drilled at a standard gas well location in Unit A (NE/4 NE/4) of said Section 15.
- (3) This application and hearing is the result of a denial by the Division (see letter on file with the Division dated February 15, 1993) of an administrative application for a 120-acre non-standard gas spacing and proration unit filed by Meridian in December, 1992, requesting the NE/4 NE/4 and S/2 NE/4 of said Section 15 be dedicated to the proposed well.

(4) The Rhodes-Yates-Seven Rivers Gas Pool is an unprorated gas pool governed under the Division's general Rules and Regulations which require 160-acre spacing and proration units, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Lands Survey. Said pool is also governed by the two Division Memorandums dated July 27, 1988 and August 3, 1990, which disallow the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools.

(5) As expressed in the aforementioned correspondence to Meridian dated February 15, 1993, it was the Division's opinion that all references to "proration units" in its Memorandums were to be interpreted as "standard gas proration units of standard size for a particular pool". Meridian was informed by said letter that the practice of operators forming non-standard spacing units in order to avoid the Division's simultaneous dedication policy was no longer an accepted practice. Also, Meridian was notified that in most instances the practice of forming non-standard sized and shaped spacing units to avoid the compulsory pooling of acreage within standard sized and shaped spacing and proration units was also not considered just cause by the Division.

(6) Within this particular two Section area, development of the Rhodes-Yates-Seven Rivers Gas Pool is as follows:

- (a) The 40-acre non-standard gas spacing unit comprising the SW/4 SW/4 (Unit M) of Section 10, approved by Division Administrative Order NSP-1292, is dedicated to Meridian's Rhodes GSU Well No. 9 in Unit M;
- (b) the standard 160-acre unit comprising the NW/4 of Section 10 is dedicated to Meridian's Rhodes GSU Well No. 16 in Unit E;
- (c) the N/2 S/2 of Section 10, being a non-standard 160-acre unit approved by Division Administrative Orders NSP-1292 and NSP-1292-A has been developed by Meridian's Bates Well No. 1 (well P & A'ed February, 1988) in Unit L and Doyle Hartman - Oil Operator attempted to develop the same acreage with its C. T. Bates Well No. 2 (well was P & A'ed in January, 1991 after encountering a severe waterflow during drilling) also in Unit L;
- (d) the standard 160-acre unit comprising the SW/4 of Section 15 is simultaneously dedicated to Meridian's Cagle "B" Well No. 1 in Unit L and Rhodes GSU Well No. 24 in Unit N (simultaneous dedication occurred prior to the Division's July 27, 1988 Memorandum);

- (e) the standard 160-acre unit comprising the SE/4 of Section 15 is simultaneously dedicated (pre-1988 authorization) to Meridian's Rhodes GSU Well Nos. 8 and 25 in Units J and O, respectively; and,
- (f) the 120-acre non-standard gas spacing unit comprising the NW/4 NW/4 and S/2 NW/4 of Section 15, approved by Division Administrative Order NSP-1292, is simultaneously dedicated (pre-1988 authorization) to Meridian's Gregory "B" Well No. 1 in Unit F and Rhodes GSU Well No. 7 in Unit F.

(7) The undeveloped portions comprise the NE/4 and NE/4 NW/4 of said Section 15 and the NE/4, SE/4 SW/4, and S/2 SE/4 of said Section 10. The NE/4 of Section 10 is a standard 160-acre unit and can therefore be developed without exception to the spacing rules. The remaining 320 acres comprising the SE/4 SW/4 and S/2 SE/4 of Section 10 and the NE/4 and NE/4 NW/4 of Section 15, of which the subject 160-acre non-standard spacing unit is a part, would require special attention to accommodate any combination of two 160-acre units within the space available.

(8) In this instance the proposed 160-acre non-standard gas proration unit is within a single Federal lease owned and operated by Meridian. The remaining 160 acres comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15 is owned by Doyle Hartman - Oil Operator ("Hartman").

(9) The applicant approached Hartman to voluntarily pool his interest in the NW/4 NE/4 of Section 15 in order to form a standard 160-acre gas spacing and proration unit for the Rhodes-Yates-Seven Rivers Gas Pool comprising the entire NE/4. By correspondence dated January 7, 1993 Hartman notified Meridian that he was not interested in contributing his acreage in the NE/4 of said Section 15. In most normal circumstances the applicant would be required to force pool Hartman's interest in order to obtain the appropriate amount of acreage for the proposed gas well.

(10) Meridian's proposal, although a variance of Division policy and rules, appears to be an acceptable plan to correct a situation previously forced on both Hartman's and Meridian's acreage holdings by the existing non-standard drilling tracts.

(11) The entire non-standard gas proration unit may reasonably be presumed productive of gas from the Rhodes-Yates-Seven Rivers Gas Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(12) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(13) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of gas in the Rhodes-Yates-Seven Rivers Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(14) In the future Hartman, or any applicable operator, may petition the Division for administrative approval for the remaining non-standard 160-acre gas spacing and proration unit in the Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15. The operator should be required to follow the notice provisions as provided in Division General Rules 104.D(2)(a)(iii) and (iv).

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil Inc. for a 160-acre non-standard gas spacing and proration unit in the designated and Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and the S/2 NE/4 of Section 15, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Said unit is to be dedicated to its Gregory "B" Well No. 2 to be drilled at a standard gas well location in Unit A (NE/4 NE/4) of said Section 15.

IT IS FURTHER ORDERED THAT:

(3) Any applicable operator who possesses the right to develop the Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SW/4 and SW/4 SE/4 of said Section 10 and the NW/4 NE/4 and NE/4 NW/4 of said Section 15, may petition the Division for administrative approval for a non-standard 160-acre gas spacing and proration unit comprising said acreage.

(4) Said operator shall comply with the notice provisions as provided in Division General Rules 104.D(2)(a)(iii) and (iv).

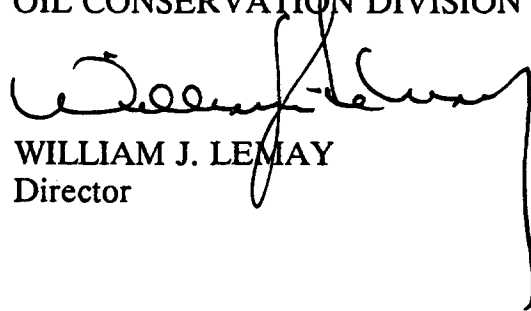
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10683
Order No. R-9870
Page No. 5

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

05/22/98

10:51

1 915 694 2350

DOYLE HARTMAN

Dallas Office

001/006

Form 3160-3
(July 1992)

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN APPLICATION
(Other instructions on
reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒OTHER ☐SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

GRUY PETROLEUM MANAGEMENT COMPANY (ZENO FARRIS) 972-443-6489

3. ADDRESS AND TELEPHONE NO.

P.O. BOX 140907 IRVING, TEXAS 75014-0907

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

990' FSL & 990' FEL SEC. 10 T26S-R37E LEA CO. NM

At proposed prod. zone SAME

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 5 miles South of Jal New Mexico

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.

(Also to nearest drig. unit line, if any)

990'

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

1980'

16. NO. OF ACRES IN LEASE

320

19. PROPOSED DEPTH

3380'

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, ET, GR, or other)

GR. 2984'

22. APPROX. DATE WORK WILL START*

As soon as approved

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/2"	K-55 8 5/8"	24	750'	600 Sx. circulate to surface
7 7/8"	K-55 4 1/2"	11.6	3380'	600 Sx. circulate to surface

1. Drill 12 1/2" hole to 750'. Run and set 750' of 8 5/8" J-55 24# ST&C casing. Cement with 400 Sx. of Halco Light + additives, tail in with 200 Sx. of Class "C" + 1/2# flocele/Sx + 2% CaCl, circulate cement to surface.
2. Drill 7 7/8" hole to 3380'. Run and set 3380' of 4 1/2" J-55 11.6# LT&C casing. Cement in two stages. First stage cement with 400 Sx. of Class "C" cement + 3# of salt/Sx. + 1/2# flocele/Sx. Second stage cement with 600 Sx. of Class "C" Halco Light + 9# salt/Sx. + 1/2# flocele/Sx., circulate cement to surface.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

24.

SIGNED

TITLE Agent

DATE 04/07/98

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject land which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

(ORIG. SGD.) ARMANDO A. LOPEZ

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34394	Pool Code 83810	Pool Name RHODES-YATES-7RIVERS
Property Code 22321	Property Name RFU	Well Number 103
GRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2984

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	26 S	37 E		990	SOUTH	990	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
------------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Joe T. Janica Printed Name Agent Title 04/07/98 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. MARCH 26, 1998 Date Surveyed Signature & Seal of Professional Surveyor NEW MEXICO 4-6-98 Date 98-11-0498 Certificate No. JOHN W. WEST ROMAN E. EIDSON PROFESSIONAL SURVEYOR 676 3239 12641

Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1. TYPE OF WORK
DRILL ☒ DEEPEN ☐

2. TYPE OF WELL
OIL WELL ☐ GAS WELL ☒ OTHER ☐ SINGLE ZONE ☒ MULTIPLE ZONE ☐

3. NAME OF OPERATOR
GRUY PETROLEUM MANAGEMENT COMPANY (ZENO FARRIS) 972-443-6489

4. ADDRESS AND TELEPHONE NO.
P.O. BOX 140907 IRVING, TEXAS 75014 -0907

5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface
2110' FNL & 460' PEL SEC. 15 T26S-R37E LEA CO. NM
At proposed prod. zone SAME

6. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE
Approximately 5 miles South of Jal New Mexico

7. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.
(Also to nearest orig. unit line, if any) 990'

8. NO. OF ACRES IN LEASE 320

9. NO. OF ACRES ASSIGNED TO THIS WELL 120

10. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1980'

11. PROPOSED DEPTH 3380'

12. ROTARY OR CABLE TOOLS ROTARY

13. ELEVATIONS (Show whether DP, RT, GR, etc.) GR. 2981'

14. APPROX. DATE WORK WILL START
As soon as approved

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	K-55 8 5/8"	24	750'	600 Sx. circulate to surface
7 7/8"	K-55 4 1/2"	11.6	3380'	1000 Sx. circulate to surface

1. Drill 12 1/4" hole to 750'. Run and set 750' of 8 5/8" J-55 24# ST&C casing. Cement with 400 Sx. of Halco Light + additives, call in with 200 Sx. of Class "C" + 1/2# flocele/Sx + 2% CaCl, circulate cement to surface.
2. Drill 7 7/8" hole to 3380'. Run and set 3380' of 4 1/2" J-55 11.6# LT&C casing. Cement in two stages. First stage cement with 400 Sx. of Class "C" cement + 3# of salt/Sx. + 1/2# flocele/Sx. Second stage cement with 600 Sx. of Class "C" Halco Light + 9# salt/Sx. + 1/2# flocele/Sx., circulate cement to surface.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

SIGNED Jose Garcia TITLE Agent DATE 04/07/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL IF ANY:

(ORIG. SGD.) ARMANDO A. LOPEZ

MAY 04 1998

Post-It Fax Note 7671

To <i>Shiela</i>	Date <i>5/21/98</i>	# of pages <i>2</i>
Co/Dept.	From <i>Rechel</i>	
Phone #	Co.	
Fax #	Phone #	
	Fax #	

of New Mexico
Natural Resources Dept.

Form C-102
Revised February 18, 1994
Submitted to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

ATION DIVISION
Box 2088
Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <i>30-025-34395</i>	Pool Code 83810	Pool Name RHODES-YATES-7RIVERS
Property Code 22321	Property Name RFU	Well Number 159
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2981

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	15	26 S	37 E		2110	NORTH	460	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 120	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature Joe T. Janica Printed Name Agent Title 04/07/98 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 26, 1998</p> <p>Date Surveyed Signature & Seal of Professional Surveyor RONALD G. JOHNSON Certified Professional Surveyor No. JOHN L. JOHNSON 676 3239 12641</p>

Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1200 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 413-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

Tierra Exploration Inc.
726 East Michigan Suite 188
Hobbs New Mexico 88240
Attn: Mr. Joe Janica

Date: April 17, 1998

Dear Mr. Janica:

Enclosed are the following:

1. Copies of Lease Responsibility Statements for our three locations in sections 4, 10 and 15.
2. Copies of the C-102 for the Gregory "B" Federal No. 2 well, now the Rhodes Federal Unit No. 153. The plat for this well shows a 160 acre non-standard unit comprising the SE/4SE/4 of sec. 10, and the NE/4NE/4 & S/2NE/4 of sec. 15. This is the same dedication that our new Rhodes Federal Unit No. 103 and 159 wells have. I think we need a new plat for our 103 and 159 wells, and may need to file an amended C-102. What do you think?
3. Copies of the 3160-3's, and C-102's for the above wells. I've written in the unit agreement name, and the acres assigned to the wells where applicable.
4. Statement Accepting Responsibility for Operations for the NW/4 of sec. 8, 26S-37E, and a penciled in 3160-3 for our proposed re entry of the Texaco H. G. Moberly Federal (a) No. 2. Our well will be called the Rhodes Federal Unit No. 86. Also enclosed is a copy of the Texaco C-102. It is my understanding that we can modify the Texaco plat and use their archaeological clearance, and file this well for permitting without to much delay.

Joe, the Rhodes Federal Unit No. 86 is the next well we want to permit. I seem to recall talking to Mike Stogner at the N.M.O.C.C. and he said they may be able to streamline this permit, and get it through quicker than normal. If that's possible, please let me know. Also please let me know when you have filed the permit on the RFU No. 86. We want to send a copy of the permit and a letter to owner of the borehole explaining our intentions.

Sincerely,

Zeno Farris

GRUY-0000340

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 200
DALLAS, TEXAS 75219

(214) 520-1800
(214) 520-0811 FAX

Via FedEx

May 21, 1998

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Attn: Lori Wrotenbery, Director
Michael E. Stogner, Chief Hearing Officer

Re: Unorthodox Gas Well Location, Simultaneous
Dedication, and Lack of Notice
Gruy Petroleum Management Company
Rhodes Federal Unit Nos. 103 and 159
Sections 10 and 15, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Gentlemen:

Reference is made to the following locations that have just been announced by Gruy Petroleum Management Company:

Rhodes Federal Unit No. 103
990' FSL and 990' FEL (P)
Section 10, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Rhodes Federal Unit No. 159
2100' FNL and 460' FEL (H)
Section 15, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

As the lessee of record of 100% of the leasehold estate covering the north and west offset 320-acre C.T. Bates fee lease, we hereby give notice that Gruy Petroleum Management Company's recently announced Rhodes Federal Unit (RFU) Nos. 103 and 159 wells are (1) located within the boundaries of the Rhodes Gas Pool (which now provides for a single producing well on 160-acre spacing) and (2) as gas wells, are subject to 660' setbacks from the spacing and proration unit (S.P.U.) line, not

New Mexico Oil Conservation Division
May 21, 1998
Page 2

a 330' setback as requested by Gruy for its proposed unorthodox RFU No. 103 location consisting of 990' FSL and 990' FEL of Section 10, T-26-S, R-37-E.

As currently proposed, and as depicted on the ownership-structure map enclosed herewith, Gruy's newly announced RFU Nos. 103 and 159 wells are to be drilled on the same 160-acre non-standard non-prorated S.P.U. that is presently dedicated to Gruy's Gregory "B" No. 2 Rhodes (Gas) well situated 990' FNL and 660' FEL of Section 15, T-26-S, R-37-E. The 160-acre Gregory "B" No. 2 Rhodes (Gas) S.P.U. was created on April 14, 1993, by NMOCD Order No. R-9870.

In light of the foregoing, we respectfully request that Gruy's proposed 330'-setback unorthodox location for the RFU No. 103 location be promptly adjusted to an orthodox gas well (in a gas pool) location, which is 660' from the lease line, and that Gruy take notice that Doyle Hartman opposes a new Rhodes gas well (in a gas pool) completion (that is situated at an unorthodox 330'-setback location) from receiving approval to produce at unrestricted full deliverability rates, as would be the case, if a well were situated, as a single well, on a full 160-acre S.P.U., and at an orthodox 660' setback location.

Moreover, as the second and third gas wells, on the currently existing 160-acre Gregory "B" No. 2 non-prorated gas S.P.U., the proposed Gruy-operated RFU Nos. 103 and 159 wells are not in compliance with the NMOCD's August 3, 1990 *Memorandum to All Operators*, which memorandum pertains to "...applications for additional wells on existing proration units...(emphasis added)". A copy of the NMOCD's August 3, 1990 memorandum is enclosed herewith. Consequently, Doyle Hartman further objects to Gruy's requested deviation from the NMOCD's revised policy (after July 27, 1988) of prohibiting more than one producing well on a non-prorated gas S.P.U.

Finally, as documented by the herein enclosed excerpts (pertaining to Tracts 58 and 59 of Exhibit "A-2") from that certain January 2, 1986 assignment from Sun Oil Company to Doyle Hartman, et. al., Doyle Hartman and James A. Davidson (as successors-in-interest, through Sun, to R. Olsen and Stanolind Oil and Gas Company) own certain oil, casinghead gas, and processed liquids rights under the 5,480-acre 1944-approved Rhodes Federal Unit, with one of the Hartman-Davidson contributed RFU tracts consisting of the S/2NE/4 Section 15, T-26-S, R-37-E, on which Gruy now proposes to drill its subject RFU No. 159 well. Hartman's and Davidson's ownership notwithstanding, and contrary to the spirit and purpose of 70-2-16 through 70-2-18 NMSA, to date, Doyle Hartman and James A. Davidson have received no notice or paperwork whatsoever regarding Gruy's newly proposed RFU Nos. 103 and 159 wells in Sections 10 and 15, T-26-S, R-37-E, nor, as previously requested, has Gruy, or its predecessor-in-interest, made any attempt to account for Hartman and

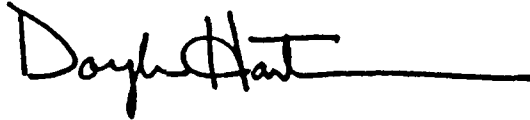
New Mexico Oil Conservation Division
May 21, 1998
Page 3

Davidson's recorded ownership under the Rhodes Federal Unit (copy of Hartman to Meridian letter of March 25, 1996 enclosed).

Your very prompt attention to the herein above-discussed matters is respectfully requested prior to the newly announced Rhodes Federal Unit wells being drilled.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending to the right.

Doyle Hartman

enclosures

rcs/rjr
wpdocs\corresp.dh\gruy

cc: Bureau of Land Management
1717 W. Second
Roswell, NM 88201
Attn: Armando Lopez, Asst. District Mgr., Minerals

Bureau of Land Management
620 E. Green (88220)
P.O. Box 1778
Carlsbad, NM 88221-1778
Attn: Richard L. Manus, Area Manager

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240
Attn: Vince Balderaz, Lead Oil & Gas Inspector

New Mexico Oil Conservation Division
1000 W. Broadway (88240)
P.O. Box 1980
Hobbs, NM 88241
Attn: Chris Williams, District Supervisor

New Mexico Oil Conservation Division

May 21, 1998

Page 4

Via Express Mail and Certified Mail, Return Receipt Requested

Gruy Petroleum Management Company

600 E. Las Colinas Blvd., Suite 1200 (75039)

P.O. Box 140907

Irving, TX 75014-0907

Attn: Richard R. Frazier, President & Chief Operating Officer

Bill Mann, Operations Manager

Greg Jessup, Vice President Land

James A. Davidson

214 W. Texas, Suite 710

Midland, TX 79701

Gallegos Law Firm

460 St. Michaels Drive, Building 300

Santa Fe, NM 87505

Attn: J.E. Gallegos

Michael J. Condon



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5300

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1200 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

Doyle Hartman
500 North Main
Midland, TX 79702

Re: Sections 10(P), 15(H) T26S, R37E
Lea County New Mexico
Rhodes Yates 7Rivers Gas Pool

Date: July 17, 1998

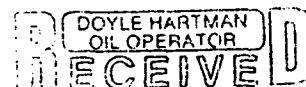
Dear Mr. Hartman:

This letter shall serve as notice that Gruy Petroleum Management Co. has applied for drilling permits at unorthodox locations, for a second and third well in an existing 160.00 acre unit, on the referenced leasehold. Enclosed, are copies of the C-102's showing these locations.

If you have any questions please feel free to call me at (972-443-6489).

Sincerely,

Zeno Farris
Manager, Operations Administration



JUL 21 1998

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34394	Pool Code 83810	Pool Name RHODES-YATES-7 RIVERS
Property Code 22321	Property Name RFU	Well Number 103
GRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2984

Surface Location

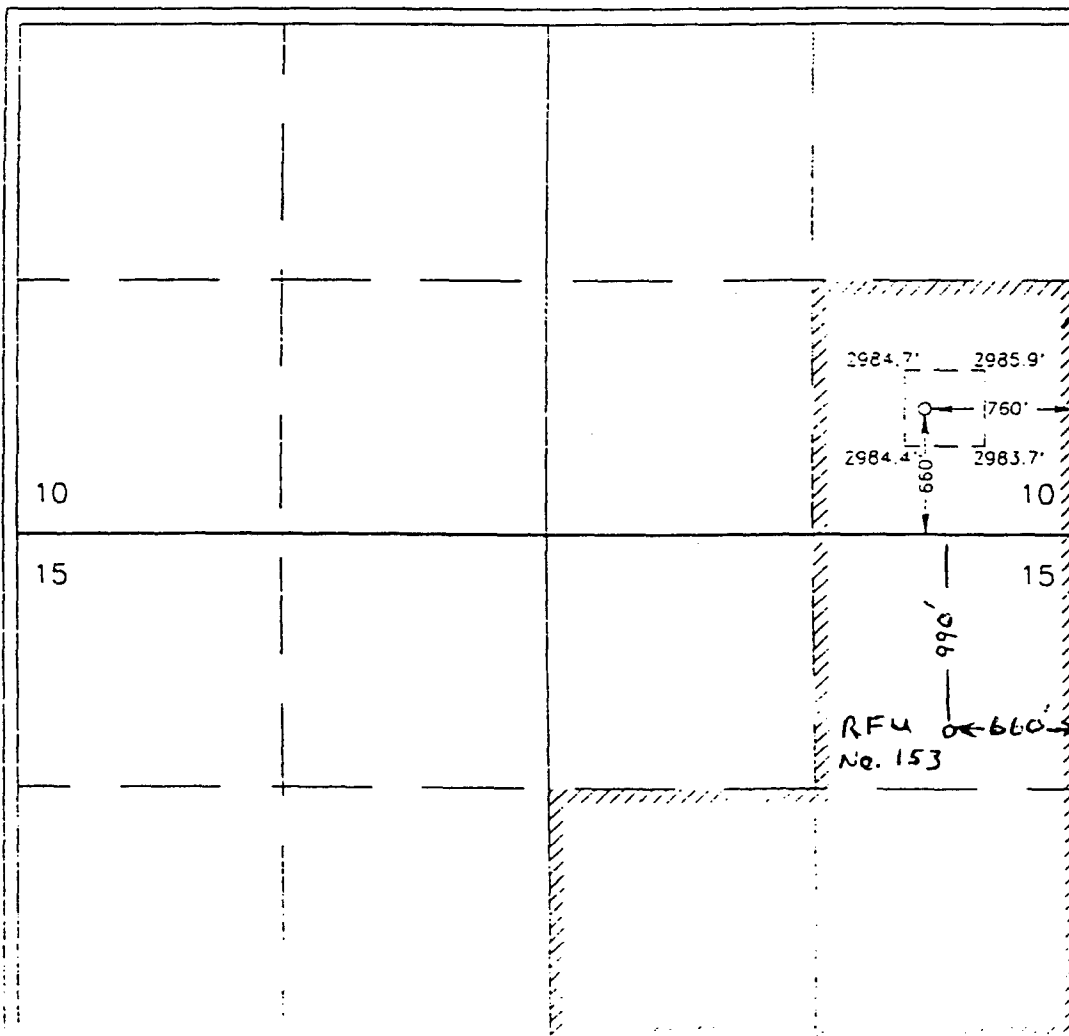
UL or lot No. P	Section 10	Township 25 S	Range 37 E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 760	East/West line EAST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.

Zeno Farris
Signature

Zeno Farris
Printed Name

Mgr., Operations Admin.
Title

July 17, 1998
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JUNE 29, 1998

Date Surveyed
Signature of
Professional Surveyor

Donald J. Sullivan
7-07-98
NEW MEXICO
Professional Surveyor
No. 1329
68-1-0329

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34395	Pool Code 83810	Pool Name RHODES-YATES-TRIVERS
Property Code 22321	Property Name RFU	Well Number 159
OGRID No. -162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2981

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	15	26 S	37 E		2110	NORTH	460	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <h3 style="text-align: center; margin: 0;">OPERATOR CERTIFICATION</h3> <p style="font-size: small; margin: 5px 0;">I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p style="font-size: large; margin: 5px 0;"><i>Zeno Farris</i></p> <hr/> <p style="font-size: small; margin: 0;">Signature</p> <hr/> <p style="font-size: small; margin: 0;">Zeno Farris</p> <hr/> <p style="font-size: small; margin: 0;">Printed Name</p> <hr/> <p style="font-size: small; margin: 0;">Mgr., Operations Admin.</p> <hr/> <p style="font-size: small; margin: 0;">Title</p> <hr/> <p style="font-size: small; margin: 0;">July 17, 1998</p> <hr/> <p style="font-size: small; margin: 0;">Date</p> </div> <div style="border: 1px solid black; padding: 5px;"> <h3 style="text-align: center; margin: 0;">SURVEYOR CERTIFICATION</h3> <p style="font-size: small; margin: 5px 0;">I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p style="text-align: center; margin: 10px 0;">MARCH 26, 1998</p> <hr/> <p style="font-size: small; margin: 0;">Date Surveyed</p> <hr/> <p style="font-size: small; margin: 0;">Signature & Seal of Professional Surveyor</p> <hr/> <p style="font-size: large; margin: 0;"><i>Ronald J. Edson</i> 4-21-98</p> <p style="font-size: large; margin: 0;">98-11-0299</p> <hr/> <p style="font-size: small; margin: 0;">Certificate No. JOHN W. WEST 575 RONALD J. EDSON 3239 GARY EDSON 1264</p> </div>
--	---

DOYLE HARTMAN

Oil Operator

500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX

August 24, 1998

New Mexico Oil Conservation Division

District I Hobbs

1000 W. Broadway

Hobbs, NM 88240

Attn: Mr. Chris Williams, District Supervisor

Re: Amended Location for the Previously Approved
C-101 and C-102 for the C. T. Bates No. 4
660' FSL and 2145' FWL (N)
Section 10, T-26-S, R-37-E
Rhodes (Yates-Seven Rivers) Gas Pool

Mr. Williams,

Please find enclosed five copies each of an amended C-101 and C-102 for the previously approved C. T. Bates No. 4 Rhodes (Yates-Seven Rivers) Gas well. The original C-101 and C-102 were approved May 26, 1998, for a well to be drilled 660' FNL and 2310' FEL Section 15, T-26-S, R-37-E. After further review of existing data (including data from the recently drilled C. T. Bates No. 3), we have elected to move the C. T. Bates No. 4 to an amended location consisting of 660' FSL and 2145' FWL Section 10, T-26-S, R-37-E.

Sincerely,



Steve Hartman, Engineer

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☒ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Doyle Hartman P. O. Box 10426 Midland, TX 79702		² OGRID Number 6473
		³ API Number 30 - 025-34404
⁴ Property Code 13411	⁵ Property Name C. T. Bates	⁶ Well No. 4

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	10	26S	37E		660'	South	2145'	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

⁹ Proposed Pool 1 Rhodes (Y-7R) Gas	¹⁰ Proposed Pool 2
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¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 2984'
¹⁶ Multiple No	¹⁷ Proposed Depth 3700'	¹⁸ Formation Rhodes (Y-7R) Gas	¹⁹ Contractor Patterson	²⁰ Spud Date 9/1/98

²¹ Proposed Casing and Cement Program

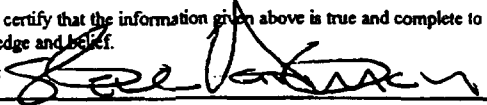
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
26"	20"	94#/ft	65'	125 sx (162 cu. ft.)	Surface
17-1/2"	13-3/8"	61#/ft	1325'	1175 sx	Surface
12-1/4"	8-5/8"	24#/ft & 32#/ft	2600'	1600 sx	Surface
7-7/8"	5-1/2"	15.5#/ft	2100' - 3700'	400 sx	2100'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Before drilling out from under 13-3/8" intermediate, the well will be equipped with a 3000-psi 10" series-900 double-ram hydraulic BOP, Hydril, and Rotating Head.

Cement volumes may be adjusted to insure that cement behind all the strings of casing will be brought to the surface.

NOTE: This is an amendment of the location originally approved, for the C. T. Bates No. 4, on May 26, 1998.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature:  Printed name: Steve Hartman Title: Engineer Date: 8/24/98		OIL CONSERVATION DIVISION Approved by: Title: Approval Date: Expiration Date: Conditions of Approval: Attached <input type="checkbox"/>	
Phone: (915) 684-4011			

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34404	Pool Code 83810	Pool Name RHODES (YATES-SEVEN RIVERS) GAS POOL
Property Code 13411	Property Name C.T. BATES	Well Number 4
GRID No. 6473	Operator Name DOYLE HARTMAN	Elevation 2984'

Surface Location

UL or lot No. N	Section 10	Township 26 S	Range 37 E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 2145	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 160	Joint or Infill N	Consolidation Code 0*	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>NSP-1292-A (1/11/91)</p> <p>1 2 3</p> <p>2145'</p> <p>660'</p> <p>SEC. 10</p> <p>SEC. 15</p> <p>C. T. BATES LEASE</p> <p>PROPOSED WELL & 160-ACRE S.P.U. C.T. BATES NO. 4 660' FSL AND 2145' FWL (N) SECTION 10, T-26-S, R-37-E</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature Steve Hartman Printed Name Engineer Title 8/24/98 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>AUGUST 22, 1998</p> <p>Date Surveyed Signature & Seal of Professional Surveyor 98-11-1178</p> <p>Certificate No. RONALD J. EDSON 3239 GARY EDSON 12641 MACON McDONALD 12185</p>
--	---

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

WELL API NO. 30-025-34404
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name C. T. Bates
8. Well No. 4
9. Pool name or Wildcat Rhodes (V-7R) Gas

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	
2. Name of Operator Doyle Hartman	
3. Address of Operator 500 N. Main Street, Midland, Texas 79701	
4. Well Location Unit Letter <u>N</u> : <u>660</u> Feet From The <u>South</u> Line and <u>2145</u> Feet From The <u>West</u> Line Section <u>10</u> Township <u>26S</u> Range <u>37E</u> NMPM County	
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 2984' GL (3001' RKB)	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>		CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <u>Lost circulation/cement repair</u> <input checked="" type="checkbox"/>	

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Moved in and rigged up Patterson Drilling Co. Rig No. 54. Commenced drilling 17½" hole at 2:00 P.M., 9-22-98. Drilled 17½" hole to a total depth of 162' RKB (Ogallala Formation). Lost returns through flow nipple, but observed partial returns in cellar box on outside of 20" O.D., 94 lb/ft, H-40 casing and 72"d x 11' 14-gauge, 70.59 lb/ft corrugated cellar can. Rigged up Halliburton. Squeeze cemented down 20" O.D. casing with 350 sx (511 ft³) of 14.8 lb/gal fast curing API class-C thixotropic cement containing 10% Calseal, 2% CaCl₂, ¼ lb/sx Flocele, 5 lb/sx gilsonite. Maximum pump rate = 5 BPM. Minimum pump rate = 1.5 BPM. With 8 bbls of cement slurry remaining to be pumped, had returns consisting of good quality cement on outside of 20" O.D. casing. Displaced cement with 6 bbls of water. Cement job completed at 12:30 A.M., 9-23-98. WOC a total of 9.5 hrs (compressive strength = 717 psi). Upon drilling out cement, found bottom of cement at 152' RKB.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Doyle Hartman TITLE Owner-Operator DATE 9-24-98

TYPE OR PRINT NAME Doyle Hartman TELEPHONE NO. 915-684-4011

(This space for State Use)

APPROVED BY Harry W. Wink TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

DEC 04 1998

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO.

Indicate Type of Lease

STATE ☐

FEE ☒

State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT'
(FORM C-101) FOR SUCH PROPOSALS.)

Lease Name or Unit Agreement Name
C.T. Bates

Type of Well:

OIL
WELL ☐

GAS
WELL ☒

OTHER

Name of Operator

Doyle Hartman

Well No.

4

Address of Operator

500 N. Main Street, Midland, Texas 79701

Pool name or Wildcat

Rhodes (Y-7R) Gas

Well Location

Unit Letter N : 660 Feet From The South Line and 2145 Feet From The West Line

Section 10 Township 26S Range 37E NMPM Lea County

Elevation (Show whether DF, RKB, RT, GR, etc.)

2984' G.L. (3001' RKB)

11

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐

ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐

PLUG AND ANBANDONMENT ☐

CASING TEST AND CEMENT JOB ☒

OTHER: Set 5-1/2" Liner ☒

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Drilled 7-7/8" hole to a total depth of 3635'. Lost circulation at 3003'. Logged well with Schlumberger Platform Express CNL-TDD-GR/AzLL-MCFL logging tool. Ran 1508' x 5-1/2" O.D., 15.5 lb/ft, J-55, ST&C liner equipped with a TIW 8-5/8" x 5-1/2" Type "J" liner hanger and (18) 8-5/8" x 5-1/2" centralizers. Landed bottom of liner at 3634' RKB, with top of liner at 2126' RKB. Top of landing collar at 3619' RKB.

Cemented liner with 225 sx of a 50-50 blend of API Class-C cement and Pozmix "A" containing 2% gel, 0.25 lb/sx Flocele, 5 lb/sx gilsonite, and 0.4% Halad-322 followed by 200 sx of a 50-50 blend of API Class-C cement and Pozmix "A" containing 0.5 lb/sx Flocele and 5 lb/sx gilsonite. Plug down at 10:20 A.M., CDT, 10-4-98. Pressured liner to 1850 psi. Pressure held okay. Released pressure and float held okay.

WOC 5.5 hrs. Drilled out excess cement from 1790' to top of liner at 2126'. Encountered hard cement between 1960' and 2126'. Tagged top of liner at 8:00 P.M., CDT, 10-4-98.

Circulated and loaded hole with clean water. Laid down drill string. Removed BOP. Jetted pits. Released rotary rig at 6:00 A.M., CDT, 10-5-98.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

Doyle Hartman

TITLE Owner/Operator

DATE 10-05-98

TYPE OR PRINT NAME Doyle Hartman

TELEPHONE NO. (915) 684-4011

(This space for State Use)

APPROVED BY

Harry W. Wink

TITLE

DATE DEC 04 1998

CONDITIONS OF APPROVAL, IF ANY:

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies
DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

Form C-105
Revised 1-1-89

WELL API NO.
30-025-34404

5. Indicate Type of Lease
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well:
OIL WELL ☐ GAS WELL ☒ DRY ☐ OTHER _____

b. Type of Completion:
NEW WELL ☒ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF RESVR ☐ OTHER _____

2. Name of Operator
Doyle Hartman

3. Address of Operator
500 N. Main Street, Midland, Texas 79701

4. Well Location
Unit Letter N : 660 Feet From The South Line and 2145 Feet From The West Line
Section 10 Township 26-S Range 37-E NMPM Lea County

10. Date Spudded 08/28/98 11. Date T.D. Reached 10/03/98 12. Date Compl. (Ready to Prod.) 10/26/98 13. Elevations (DF & RKB, RT, GR, etc.) 2984' G.L. (3001' RKB) 14. Elev. Casinghead 2984'

15. Total Depth 3635' 16. Plug Back T.D. 3491' 17. If Multiple Compl. How Many Zones? 18. Intervals Drilled By 19. Producing Interval(s), of this completion - Top, Bottom, Name 2801'-3012' (Yates) 20. Was Directional Survey Made No

21. Type Electric and Other Logs Run
CNL-TDD-GR/AzLL-MCFL Log

22. Was Well Cored
No

CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB/FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
20"	94 #, H-40	93'	24"	916 cu ft	Circ
13-3/8"	61#, J-55	1346'	17.5"	975 sx	Circ
8-5/8"	32#, J-55	2601'	12.25"	1800 sx	Circ

24. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	25. TUBING RECORD	SIZE	DEPTH SET	PACKER SET
5-1/2"	2126'	3634'	425 sx		2-3/8"	3357'		

26. Perforation record (interval, size, and number)
2801' - 3012' w/ (27)- 0.38" holes

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

DEPTH INTERVAL 2801-3012 AMOUNT AND KIND MATERIAL USED A/4750 gal 15% MCA

28. PRODUCTION

Date First Production 10/26/98 Production Method (Flowing, gas lift, pumping - Size and type pump) Pumping-Flowing (9.7 x 64 x 1-1/4) Well Status (Prod. or Shut-in) Shut in

Date of Test 10/26/98 Hours Tested 4 hrs Choke Size 1/8" Prod'n For Test Period 0 Oil - BbL. 4 Gas - MCF 0 Water - BbL. Gas - Oil Ratio ---
Flow Tubing Press. --- Casing Pressure 17 Calculated 24-Hour Rate 0 Oil - BbL. 24 Gas - MCF 0 Water - BbL. Oil Gravity - API - (Corr.) ---

29. Disposition of Gas (Sold, used for fuel, vented, etc.)
Vented

Test Witnessed By
Harold Swain

30. List Attachments
CNL-TDD-GR/AzLL-MDFL log

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature



Printed Name

Doyle Hartman

Title Owner

Date 10/27/98

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all specific tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, Items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico

Northwestern New Mexico

T. Anhy	987.0	T. Canyon	T. Ojo Alamo	T. Penn. "B"
T. Salt	1227.0	T. Strawn	T. Kirtland-Fruitland	T. Penn. "C"
B. Salt	2543.0	T. Atoka	T. Pictured Cliffs	T. Penn. "D"
T. Yates	2708.0	T. Miss	T. Cliff House	T. Leadville
T. 7 Rivers	3016.0	T. Devonian	T. Menefee	T. Madison
T. Queen	3390.0	T. Silurian	T. Point Lookout	T. Elbert
T. Grayburg		T. Montoya	T. Mancos	T. McCracken
T. San Andres		T. Simpson	T. Gallup	T. Ignacio Otzte
T. Glorieta		T. McKee	Base Greenhorn	T. Granite
T. Paddock		T. Ellenburger	T. Dakota	T.
T. Blinebry		T. Gr. Wash	T. Morrison	T.
T. Tubb		T. Delaware Sand	T. Todilto	T.
T. Drinkard		T. Bone Springs	T. Entrada	T.
T. Abo		T.	T. Wingate	T.
T. Wolfcamp		T.	T. Chinle	T.
T. Penn		T.	T. Permian	T.
T. Cisco (Bough C)		T.	T. Penn. "A"	T.

OIL OR GAS SANDS OR ZONES

No. 1, from 2801' to 3012' (Gas) No. 3, from to
No. 2, from to No. 4, from to

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from 2289 to 2290 feet 29,413 BPD Waterflow
 No. 2, from to feet (SIWHP = 1040 psi)
 No. 3, from to feet

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	To	Thickness in Feet	Lithology	From	To	Thickness in Feet	Lithology
987.0	1227.0	240.0	Anhydrite, Shale Dolomite, Sandstone				
1227.0	2543.0	1316.0	Salt, Anhydrite				
2543.0	2708.0	165.0	Dolomite, Anhydrite, Shale				
2708.0	3016.0	308.0	Sandstone, Dolomite, Shale				
3016.0	3390.0	374.0	Anhydrite Dolomite, Sandstone,				
3390.0	3635.0	245.0	Anhydrite, Shale Sandstone, Dolomite, Shale				

October 15, 1998

WELL NAME AND NUMBER:
LOCATION:
OPERATOR:
DRILLING CONTRACTOR:

C.T. BATES #4
SEC.10 T26S R37E
DOYLE HARTMAN
PATTERSON DRILLING CO.

Unit N
660/S 7 2145/W
30-025-34404

The undersigned hereby certifies that he is an authorized representative of the drilling contractor who drilled the above described well and that he has conducted deviation tests and obtained the following results:

DEGREE AND DEPTH

0.50 253
0.25 527
MR 1126

DEGREE AND DEPTH

0.25 1136
0.25 1437
1.50 2213

DEGREE AND DEPTH

2.00 2669
1.75 3073
4.00 3635

Drilling Contractor:
Patterson Drilling Company

By: Billy Jensen
Billy Jensen

Subscribed and sworn to before me on this 15th day of Oct., 1998

My Commission Expires: June 30, 2001

Mary G. Henson
Mary G. Henson

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-104
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
5 Copies
☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address Doyle Hartman 500 N. Main Street Midland, Texas 79701		² OGRID Number 6473
		³ Reason for Filing Code New well & New Gas & Water POD
⁴ API Number 30 - 0 25-34404	⁵ Pool Name Rhodes (Yates-7R) Gas	⁶ Pool Code 83810
⁷ Property Code 13411	⁸ Property Name C.T. Bates	⁹ Well Number 4

II. ¹⁰ Surface Location

UI or lot no. N	Section 10	Township 26S	Range 37E	Lot Idn	Feet from the 660'	North/South Line South	Feet from the 2145'	East/West line West	County Lea
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¹¹ Bottom Hole Location

UI or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
¹² Lse Code P	¹³ Producing Method Code F	¹⁴ Gas Connection Date 10/30/98 st		¹⁵ C-129 Permit Number		¹⁶ C-129 Effective Date		¹⁷ C-129 Expiration Date	

III. Oil and Gas Transporters

¹⁸ Transporter OGRID	¹⁹ Transporter Name and Address	²⁰ POD	²¹ O/G	²² POD ULSTR Location and Description
20809	Sid Richardson 201 Main St. Worth, TX 76102	2822418	G	Unit N, Sec. 10, T-26-S, R-37-E
	* New well. Gas to be connected 10-30-98.			

IV. Produced Water

²³ POD 2822419	²⁴ POD ULSTR Location and Description Unit N, Sec. 10, T-26-S, R-37-E
------------------------------	---

V. Well Completion Data

²⁵ Spud Date 09/28/98	²⁶ Ready Date 10/26/98	²⁷ TD 3635'	²⁸ PBTD 3491'	²⁹ Perforations 2801'-3012'	³⁰ DHC, DC, MC 4.950"
³¹ Hole Size 24"	³² Casing & Tubing Size 20", 94#	³³ Depth Set 93'		³⁴ Sacks Cement 916 cu ft (circ)	
17.5"	13-3/8", 61#	1346'		975 sx (circ)	
12.25"	8-5/8", 32#	2601'		1800 sx (circ)	
7-7/8"	5-1/2", 15.5# L	2126'-3634'		375 sx	

VI. Well Test Data

³⁵ Date New Oil	³⁶ Gas Delivery Date 10/30/98	³⁷ Test Date 12/26/98	³⁸ Test Length 4 hrs 24	³⁹ Tbg. Pressure —	⁴⁰ Csg. Pressure 17psi
⁴¹ Choke Size 1/8" orifice	⁴² Oil 0	⁴³ Water 0	⁴⁴ Gas 24 MCFPD 96	⁴⁵ AOF	⁴⁶ Test Method orifice tester

⁴⁷ I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Doyle Hartman

Printed name: Doyle Hartman

Title: Owner-Operator

Date: 07/27/98

Phone: (915) 684-4011

OIL CONSERVATION DIVISION

Approved by:

Harry W. Wink

Title:

FIELD REPRESENTATIVE II

Approval Date:

DEC 04 1998

⁴⁸ If this is a change of operator fill in the OGRID number and name of the previous operator

Previous Operator Signature

Printed Name

Title

Date

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

WELL API NO. 30-025-34404
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name C. T. Bates
8. Well No. 4
9. Pool name or Wildcat Rhodes (V-7R) Gas

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	
2. Name of Operator Doyle Hartman	
3. Address of Operator 500 N. Main Street, Midland, Texas 79701	
4. Well Location Unit Letter <u>N</u> : <u>660</u> Feet From The <u>South</u> Line and <u>2145</u> Feet From The <u>West</u> Line Section <u>10</u> Township <u>26S</u> Range <u>37E</u> NMPM County	
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 2984' GL (3001' RKB)	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data	
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>
OTHER: <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
	CASING TEST AND CEMENT JOB <input type="checkbox"/>
	OTHER: <u>Lost circulation/cement repair</u> <input checked="" type="checkbox"/>

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Moved in and rigged up Patterson Drilling Co. Rig No. 54. Commenced drilling 17½" hole at 2:00 P.M., 9-22-98. Drilled 17½" hole to a total depth of 162' RKB (Ogallala Formation). Lost returns through flow nipple, but observed partial returns in cellar box on outside of 20" O.D., 94 lb/ft, H-40 casing and 72" d x 11' 14-gauge, 70.59 lb/ft corrugated cellar can. Rigged up Halliburton. Squeeze cemented down 20" O.D. casing with 350 sx (511 ft³) of 14.8 lb/gal fast curing API class-C thixotropic cement containing 10% Calseal, 2% CaCl₂, ¼ lb/sx Flocele, 5 lb/sx gilsonite. Maximum pump rate = 5 BPM. Minimum pump rate = 1.5 BPM. With 8 bbls of cement slurry remaining to be pumped, had returns consisting of good quality cement on outside of 20" O.D. casing. Displaced cement with 6 bbls of water. Cement job completed at 12:30 A.M., 9-23-98. WOC a total of 9.5 hrs (compressive strength = 717 psi). Upon drilling out cement, found bottom of cement at 152' RKB.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Doyle Hartman TITLE Owner-Operator DATE 9-24-98
TYPE OR PRINT NAME Doyle Hartman TELEPHONE NO. 915-684-4011

(This space for State Use)

APPROVED BY Chris Williams DISTRICT 1 SUPERVISOR DATE OCT 16 1998
CONDITIONS OF APPROVAL, IF ANY:

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO.

30-025-34404

Indicate Type of Lease

STATE ☐

FEE ☒

State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT'
(FORM C-101) FOR SUCH PROPOSALS.)

Lease Name or Unit Agreement Name

C. T. Bates

Type of Well:

OIL
WELL ☐

GAS
WELL ☒

OTHER

Well No.

4

Pool name or Wildcat

Rhodes (Y-7R) Gas

Well Location

Unit Letter N : 660 Feet From The South Line and 2145 Feet From The West Line

Section 10 Township 26S Range 37E NMPM County

Elevation (Show whether DF, RKB, RT, GR, etc.)

2984' GL (3001' RKB)

11

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐

ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐

PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☒

OTHER: High-pressure Salado waterflow. Set 8-5/8" O.D. Shutoff String. ☒

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Drilled 12-1/4" hole to 2289'. At 3:01 P.M., CDT, 9-27-98, encountered high-pressure high-volume saturated brine flow at Salado MB-144.

Tested waterflow as follows:

5-min SIP: 1040 psi
Flow Period: 10 minutes
Prod WHP: 780 psi @ 3:55 P.M.
770 psi @ 4:00 P.M.

Volume Produced: 203.99 BBLS

Rate = 20.4 BPM
1224 BPH
29,375 BPD

Gathered water sample. Water had a strong hydrocarbon odor, and a gas chromatograph measurement of 139 units of total gas.

Drilled 12-1/4" hole to 2602' RKB. Ran 58 jts (2606.40') of 8-5/8" O.D., 32 lb/ft, J-55, ST&C casing equipped with a guide shoe, Superseal II float collar, and (15) 12-1/4" x 8-5/8" centralizers. Landed casing at 3601' RKB. Cemented casing under a back pressure at 12 BPM with 2404 cu ft of slurry consisting of 1600 sx of API Class-C cement containing 3% CaCl₂ and 0.25 lb/sx Flocele followed by 200 sx of API Class-C fast-setting thixotropic cement containing 10% Cal-Seal, 2% CaCl₂, 0.25 lb/sx Flocele, 5 lb/sx gilsonite. Had cement returns to surface after pumping 367 bbls of slurry. Increased back pressure from 400 psi to 600 psi and squeezed away 750 sx (80%) of excess cement. Plug down at 3:20 P.M., CDT, 9-28-98. ISIP = 365 psi. Cleared cement from casinghead by pumping down annulus with 0.75 bbls of water. FSIP = 1200 psi. WOC 12 hrs. Tested casing to 1000 psi. Tested okay.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE



TITLE Owner-Operator

DATE 09-29-98

TYPE OR PRINT NAME Doyle Hartman

TELEPHONE NO. 915-684-4011

(This space for State Use)

APPROVED BY



TITLE

DISTRICT 1 SUPERVISOR

DATE

OCT 16 1998

CONDITIONS OF APPROVAL, IF ANY:

Two (2) copies to the Bureau of Land Management as regulatory agency for offsetting Federal acreage

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO. 30-025-34404
Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT' (FORM C-101) FOR SUCH PROPOSALS.)	
Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	Lease Name or Unit Agreement Name C. T. Bates
Name of Operator Doyle Hartman	Well No. 4
Address of Operator 500 N. Main Street, Midland, Texas 79701	Pool name or Wildcat Rhodes (Y-7R) Gas
Well Location Unit Letter <u>N</u> : <u>660</u> Feet From The <u>South</u> Line and <u>2145</u> Feet From The <u>West</u> Line Section <u>10</u> Township <u>26S</u> Range <u>37E</u> NMPM County	
Elevation (Show whether DF, RKB, RT, GR, etc.) 2984' GL (3001' RKB)	

11

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	
OTHER: <input type="checkbox"/>	

SUBSEQUENT REPORT OF:

REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ANBANDONMENT <input type="checkbox"/>
CASING TEST AND CEMENT JOB <input checked="" type="checkbox"/>	
OTHER: Set 13-3/8" O.D. Protection String. <input checked="" type="checkbox"/>	

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Drilled 17-1/2" hole to a total depth of 1363' (133' below base of Rustler formation). Pulled and laid down 17-1/2" bit. Ran 32 jts (1349.2') of 13-3/8" O.D., 61 lb/ft, J-55, ST&C casing equipped with Halliburton 13-3/8" guide shoe, Halliburton 13-3/8" automatic-fillup insert float collar, and (11) 17-1/2" x 13-3/8" Halliburton centralizers. Landed casing at 1346' RKB. Hung casing with a B&M Oil Tool 20" x 13-3/8" x 2" x 1" welded hanger flange. Cemented casing with a total of 1625 cu ft (975 sx) of slurry consisting of 575 sx of 13.4 lb/gal API Class-C cement containing 6% gel, 2% CaCl₂, 0.25 lb/sx Flocele, and 5 lb/sx gilsonite followed by 400 sx of 14.8 lb/gal API Class-C fast-curing high-strength thixotropic cement containing 10% Cal-Seal accelerator, 2% CaCl₂ accelerator, 0.25 lb/sx Flocele, and 5 lb/sx gilsonite. Plug down at 1:45 A.M., CDT, 9-26-98. Circulated 165 sx of excess cement to pit. WOC 16 hrs. Pressure tested 13-3/8" casinghead, BOP, and 13-3/8" O.D. casing to 1200 psig. Pressure held okay. With all formations above Salado isolated from a potential high-pressure high-volume Salado waterflow, ran 12-1/4" bit and continued with drilling operations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Doyle Hartman TITLE Owner-Operator DATE 09-28-98

TYPE OR PRINT NAME Doyle Hartman TELEPHONE NO. 915-684-4011

(This space for State Use)

APPROVED BY Chris Williams DISTRICT 1 SUPERVISOR DATE OCT 16 1998

CONDITIONS OF APPROVAL, IF ANY:

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO.

Indicate Type of Lease

STATE ☐

FEE ☒

State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT'
(FORM C-101) FOR SUCH PROPOSALS.)

Lease Name or Unit Agreement Name
C.T. Bates

Type of Well:

OIL
WELL ☐

GAS
WELL ☒

OTHER

Name of Operator
Doyle Hartman

Well No.
4

Address of Operator
500 N. Main Street, Midland, Texas 79701

Pool name or Wildcat
Rhodes (Y-7R) Gas

Well Location

Unit Letter N : 660 Feet From The South Line and 2145 Feet From The West Line

Section 10 Township 26S Range 37E NMPM Lea County

Elevation (Show whether DF, RKB, RT, GR, etc.)

2984' G.L. (3001' RKB)

11

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐

ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐

PLUG AND ANBANDONMENT ☐

CASING TEST AND CEMENT JOB ☒

OTHER: Set 5-1/2" Liner ☒

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Drilled 7-7/8" hole to a total depth of 3635'. Lost circulation at 3003'. Logged well with Schlumberger Platform Express CNL-TDD-GR/AzLL-MCFL logging tool. Ran 1508' x 5-1/2" O.D., 15.5 lb/ft, J-55, ST&C liner equipped with a TIW 8-5/8" x 5-1/2" Type "J" liner hanger and (18) 8-5/8" x 5-1/2" centralizers. Landed bottom of liner at 3634' RKB, with top of liner at 2126' RKB. Top of landing collar at 3619' RKB.

Cemented liner with 225 sx of a 50-50 blend of API Class-C cement and Pozmix "A" containing 2% gel, 0.25 lb/sx Flocele, 5 lb/sx gilsonite, and 0.4% Halad-322 followed by 200 sx of a 50-50 blend of API Class-C cement and Pozmix "A" containing 0.5 lb/sx Flocele and 5 lb/sx gilsonite. Plug down at 10:20 A.M., CDT, 10-4-98. Pressured liner to 1850 psi. Pressure held okay. Released pressure and float held okay.

WOC 5.5 hrs. Drilled out excess cement from 1790' to top of liner at 2126'. Encountered hard cement between 1960' and 2126'. Tagged top of liner at 8:00 P.M., CDT, 10-4-98.

Circulated and loaded hole with clean water. Laid down drill string. Removed BOP. Jetted pits. Released rotary rig at 6:00 A.M., CDT, 10-5-98.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

Doyle Hartman

TITLE Owner/Operator

DATE 10-05-98

TYPE OR PRINT NAME Doyle Hartman

TELEPHONE NO. (915) 684-4011

(This space for State Use)

APPROVED BY

Chris Williams

TITLE

DISTRICT 1 SUPERVISOR

DATE OCT 16 1998

CONDITIONS OF APPROVAL, IF ANY:

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO.

30-025-34404

Indicate Type of Lease

STATE ☐

FEE ☒

State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"
(FORM C-101) FOR SUCH PROPOSALS.)

Type of Well:

OIL
WELL ☐

GAS
WELL ☒

OTHER

Name of Operator
Doyle Hartman

Well No.

4

Address of Operator
P.O. Box 10426; Midland, TX 79702 (915) 684-4011

Pool name or Wildcat

Rhodes (Y-7R) Gas

Well Location

Unit Letter N : 660 Feet From The South Line and 2145 Feet From The West Line

Section 10 Township 26S Range 37E NMPM Lea County

Elevation (Show whether DF, RKB, RT, GR, etc.)

2984' G.L. (3001' RKB)

11

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐

ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☒

PLUG AND ANBANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Leveled 330' x 190' drilling pad area. Surfaced pad with 1404 cu. yds. of caliche. At 660' FSL & 2145' FWL Section 10, dug 17' deep hole and installed 6'd x 17' jt of 14-gauge corrugated pipe. Moved in Abbott Brothers LDH-40 rig. At 12:30 P.M., CDT, 8/28/98, commenced drilling 24" hole. Drilled 24 " hole to 76' BGL (2' into hard layer of red clay and coarse gravel at 74' BGL). Ran and welded 3 jts (91') of 20" O.D., 94 lb/ft, H-40 slip x slip casing. Landed casing at 93' RKB (76' BGL + 17' KBC), with 14.7' of 20" casing above G.L. to serve as a riser joint. Cemented casing over open-hole section and lower 11' of corrugated cellar can with 405 cu. ft. Cut and removed uncemented upper 6' section of corrugated pipe. Installed pre-fabricated 10' x 10' x 6' steel-frame cellar box, dug emergency overflow pit, and installed 12.25" O.D. welded-steel drain line from cellar to emergency overflow pit. Work completed 9-1-98. Now ready to drill 17.5" hole to 1300' RKB.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Don Mashburn TITLE Engineer

DATE 09-01-98

TYPE OR PRINT NAME Don Mashburn

TELEPHONE NO. (915) 684-4011

(This space for State Use)

APPROVED BY Gary W. Wink

TITLE FIELD REPRESENTATIVE II

DATE SEP 28 1998

CONDITIONS OF APPROVAL, IF ANY:

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☒ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Doyle Hartman P. O. Box 10426 Midland, TX 79702		² OGRID Number 6473
		³ API Number 30 - 025-34404
⁴ Property Code 13411	⁵ Property Name C. T. Bates	⁶ Well No. 4

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	10	26S	37E		660'	South	2145'	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

⁹ Proposed Pool 1 Rhodes (Y-7R) Gas	¹⁰ Proposed Pool 2
---	-------------------------------

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 2984'
¹⁶ Multiple No	¹⁷ Proposed Depth 3700'	¹⁸ Formation Rhodes (Y-7R) Gas	¹⁹ Contractor Patterson	²⁰ Spud Date 9/1/98

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
26"	20"	94#/ft	65'	125 sx (162 cu. ft.)	Surface
17-1/2"	13-3/8"	61#/ft	1325'	1175 sx	Surface
12-1/4"	8-5/8"	24#/ft & 32#/ft	2600'	1600 sx	Surface
7-7/8"	5-1/2"	15.5#/ft	2100' - 3700'	400 sx	2100'

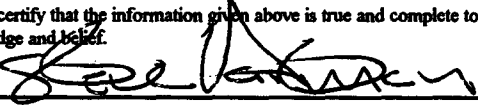

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Before drilling out from under 13-3/8" intermediate, the well will be equipped with a 3000-psi 10" series-900 double-ram hydraulic BOP, Hydril, and Rotating Head.

Cement volumes may be adjusted to insure that cement behind all the strings of casing will be brought to the surface.

NOTE: This is an amendment of the location originally approved, for the C. T. Bates No. 4, on May 26, 1998.

Permit Expires 1 Year From Approval
Date Unless Drilling Underway

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 		OIL CONSERVATION DIVISION	
Printed name: Steve Hartman		Approved by: 	
Title: Engineer		Title: DISTRICT 1 SUPERVISOR	
Date: 8/24/98		Approval Date: AUG 25 1998	
Phone: (915) 684-4011		Expiration Date:	
		Conditions of Approval: Attached <input type="checkbox"/>	

DISTRICT I
P.O. Box 1988, Hobbs, NM 88241-1988

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34404	Pool Code 83810	Pool Name RHODES (YATES-SEVEN RIVERS) GAS POOL
Property Code 13411	Property Name C.T. BATES	Well Number 4
OGRID No. 6473	Operator Name DOYLE HARTMAN	Elevation 2984'

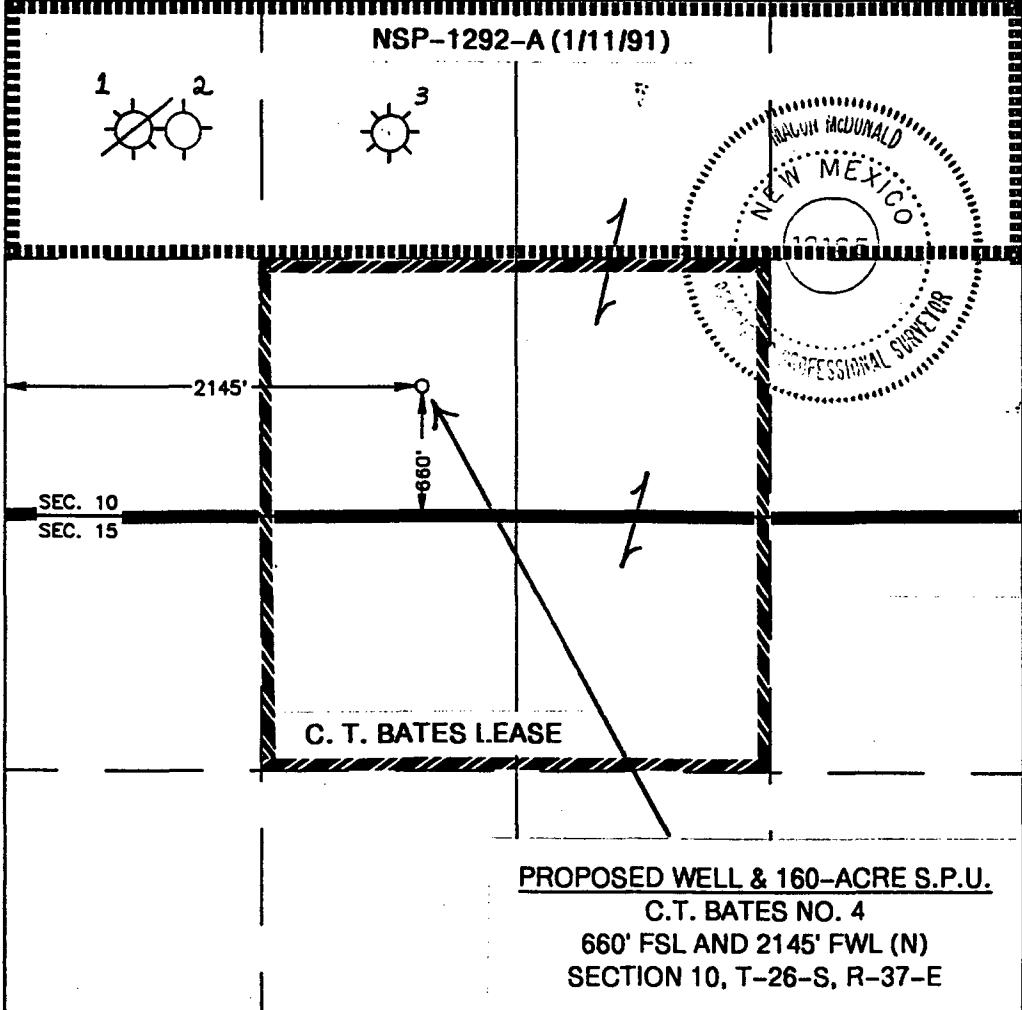
Surface Location

UL or lot No. N	Section 10	Township 26 S	Range 37 E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 2145	East/West line WEST	County LEA
--------------------	---------------	------------------	---------------	---------	----------------------	---------------------------	-----------------------	------------------------	---------------

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 160	Joint or Infill N	Consolidation Code 0*	Order No.						

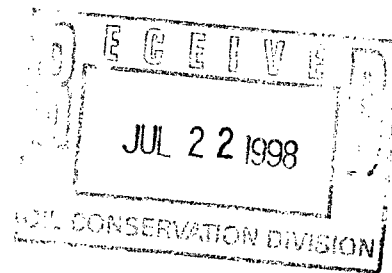
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

NSP-1292-A (1/11/91)		OPERATOR CERTIFICATION	
		<p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Steve Hartman</i> Signature Steve Hartman Printed Name Engineer Title 8/24/96 Date</p>	
C. T. BATES LEASE		SURVEYOR CERTIFICATION	
PROPOSED WELL & 160-ACRE S.P.U. C.T. BATES NO. 4 660' FSL AND 2145' FWL (N) SECTION 10, T-26-S, R-37-E		<p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>AUGUST 22, 1998</p> <p>Date Surveyed Signature & Seal of Professional Surveyor <i>Mason</i></p> <p>98-11-1178</p> <p>Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12641 MACON McDONALD 12185</p>	

* 100% OF LEASEHOLD OWNED BY DOYLE HARTMAN

Via FedEx

July 21, 1998



Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Armando Lopez, Assistant District Manager, Minerals
Bureau of Land Management
2929 W. Second
Roswell, NM 88201

Re: Gruy Petroleum Management Company's (Gruy's) Threatened Simultaneous Dedication
Gregory "B" No. 2 160-acre Non-Standard Rhodes Gas S.P.U.
SE/4SE/4 Section 10 and NE/4NE/4, S/2NE/4 Section 15, T-26-S, R-37-E
Lea County, New Mexico

Dear Madam and Sirs:

Reference is made to Gruy's herein enclosed July 17, 1998 letter to us corresponding to the 1993 NMOCD-approved 160-acre non-standard single-well Gregory "B" No. 2 Rhodes Gas S.P.U., which letter from Gruy reads as follows:

This letter shall serve as notice that Gruy Petroleum Management Co. has applied for drilling permits at unorthodox locations, for a second and third well in an existing 160.00 acre unit, on the referenced leasehold. Enclosed, are copies of the C-102's showing these locations (emphasis added).

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 2

Reference is also made to NMOCD Order R-9870, dated April 14, 1993, that approved the 160-acre Gregory "B" No. 2 non-standard Rhodes Gas Pool S.P.U. (copy enclosed). In Order R-9870, the NMOCD found as follows:

(4) The Rhodes-Yates-Seven Rivers Gas Pool is an unprorated gas pool governed under the Division's general Rules and Regulations which require 160-acre spacing and proration units, substantially in the form of a square, which is a quarter section, being a legal subdivision of the U.S. Public Lands Survey. Said pool is also governed by the two Division Memorandums dated July 27, 1998 and August 3, 1990, which disallow the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools (emphasis added).

In Order R-9870, the NMOCD ordered that:

(1) The application of Meridian Oil Inc. for a 160-acre non-standard gas spacing and proration unit in the Designated and Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4SE/4 of Section 10, and the NE/NE/4 and the S/2NE/4 of Section 15, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Said unit is to be dedicated to its Gregory "B" Well No. 2 to be drilled at a standard gas well location in Unit A (NE/4NE/4 of said Section 15) (emphasis added).

From a reading of Order R-9870, it is very clear that the 160-acre non-standard Gregory "B" No. 2 Rhodes Gas Pool S.P.U., consisting of the SE/4SE/4 Section 10 and NE/4NE/4, S/2NE/4 Section 15, was approved for the drilling of a single Rhodes Gas Pool well (at an orthodox gas well location) in Unit A of Section 15, T-26-S, R-37-E, and very clearly disallows the simultaneous dedication, of more than one well, to the subject 160-acre non-standard S.P.U.

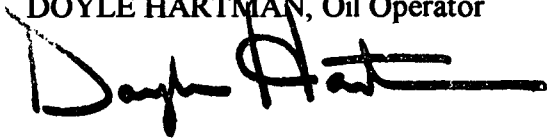
Since (1) an efficiently-completed Rhodes Yates-Upper Seven Rivers gas well is more than capable of efficiently and effectively draining any remaining economically recoverable reserves from a 160-acre Rhodes S.P.U., and (2) there most certainly does not exist a compelling reason (other than draining non-owned offset reserves), for Gruy to drill and complete two additional Rhodes Yates-Upper Seven Rivers gas wells on the subject 160-acre Gregory "B" No. 2 Rhodes S.P.U., we expect Gruy to fully conform to the letter and spirit of NMOCD Order R-9870 and to continue to produce, at any given point in time, its remaining Gregory "B" gas reserves, with only one single active Rhodes Yates-Upper Seven Rivers gas completion. In conclusion, the future exploitation, by Gruy, of the 160-acre Gregory "B" No. 2 S.P.U., with more than one currently active Rhodes Yates-Upper Seven

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 3

Rivers gas producer, would violate the correlative rights of offsetting owners and would also result in the drilling of unnecessary expensive wells in a documented high-pressure high-volume Salado brine flow area.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures

rcp
wpdocs\corresp.dh\gruy.5

cc: Magnum Hunter Resources, Inc.
Magnum Hunter Production, Inc.
Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907
Attn: Chris Tong, Senior Vice President and Chief Financial Officer
Greg Jessup, Vice President Land
Morgan F. Johnson, Vice President, General Counsel and Secretary
David S. Krueger, Vice President and Chief Accounting Officer
R. Douglas Cronk, Vice President
Michael P. McInerney, Vice President, Corporate Development
and Investor Relations
Frances P. Evans, Assistant Vice President and Treasurer
Bill Mann, Operations Manager
Zeno Farris, Manager of Operation Administration
Oscar C. Lindemann, Director
James E. Upfield, Director
Gerald W. Bolfig, Director
John H. Trescot, Jr., Director

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505
Attn: Michael Stogner, Chief Hearing Officer

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 4

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505
Attn: David R. Catanach, Petroleum Engineer Specialist

New Mexico Oil Conservation Division
1000 W. Broadway (88240)
P.O. Box 1980
Hobbs, NM 88241
Attn: Chris Williams, District Supervisor

Bureau of Land Management
620 E. Green (88220)
P.O. Box 1778
Carlsbad, NM 88221-1778
Attn: Richard L. Manus, Area Manager

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240
Attn: Vince Balderaz, Lead Oil & Gas Inspector

Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907
Attn: Joe T. Janica, Agent

Reggie Resten, Production Supervisor
Gruy Petroleum Management Company
814 W. Marland (88240)
P.O. Box 416
Hobbs, NM 88240

Warren J. Bates
926 W. King's Road (74820)
P.O. Box 1357
Ada, OK 74821-1357

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 5

David L. Sleeper, Land Department
Texaco Exploration and Production Inc
4601 DTC (80237)
P.O. Box 2100
Denver, CO 80201

James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1200 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

Doyle Hartman
500 North Main
Midland, TX 79702

Re: Sections 10(P), 15(H) T26S, R37E
Lea County New Mexico
Rhodes Yates 7Rivers Gas Pool

Date: July 17, 1998

Dear Mr. Hartman:

This letter shall serve as notice that Gruy Petroleum Management Co. has applied for drilling permits at unorthodox locations, for a second and third well in an existing 160.00 acre unit, on the referenced leasehold. Enclosed, are copies of the C-102's showing these locations.

If you have any questions please feel free to call me at (972-443-6489).

Sincerely,

Zeno Farris
Manager, Operations Administration

DOYLE HARTMAN
OIL OPERATOR
RECEIVED

JUL 21 1998

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

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Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

X AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34394	Pool Code 83810	Pool Name RHODES-YATES-7 RIVERS
Property Code 22321	Property Name RFU	Well Number 103
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2984

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	26 S	37 E		660	SOUTH	760	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

10	15		OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>Zeno Farris</u> Signature <u>Zeno Farris</u> Printed Name <u>Mgr., Operations Admin.</u> Title <u>July 17, 1998</u> Date
			SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. <u>JUNE 29, 1998</u> Date Surveyed <u>Donna L. Wilson</u> Signature of Professional Surveyor Certified No. 3289 State of New Mexico Professional Surveyor

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

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OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34395	Pool Code 83810	Pool Name RHODES-YATES-TRIVERS
Property Code 22321	Property Name RFU	Well Number 159
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2981

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	15	26 S	37 E		2110	NORTH	460	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>Zeno Farris</i> Signature Zeno Farris Printed Name Mgr., Operations Admin. Title July 17, 1998 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. MARCH 26, 1998 Date Surveyed Signature & Seal of Professional Surveyor <i>Ronald J. Edson</i> 4-21-98 08-11-0299 Certificate No. JOHN W. WEST 575 RONALD J. EDSON 3239 GARY EDSON 12641

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Bravo Rd., Alamogordo, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
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Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

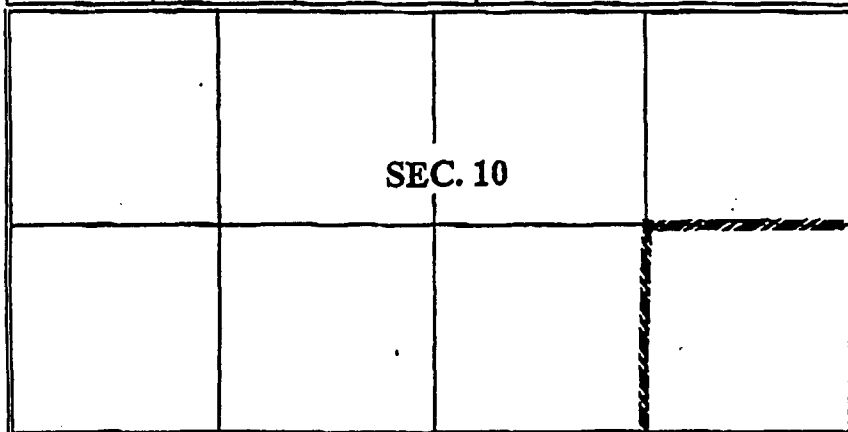
APN Number 30-025-31797		Pool Code	Pool Name RHODES YATES SEVEN RIVERS (GAS)
Property Code	Property Name GREGORY "B" FEDERAL		Well Number 2
OCRED No. 26485	Operator Name MERIDIAN OIL INC.		Elevation

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
A	15	26S	37E		990'	North	660'	East	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
SAME AS SURFACE									
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No. R-9870						



Gregory "B" Federal No. 2

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Donna Williams
Printed Name
Production Assistant
Title
8/29/94
Date

SEC. 15

12 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

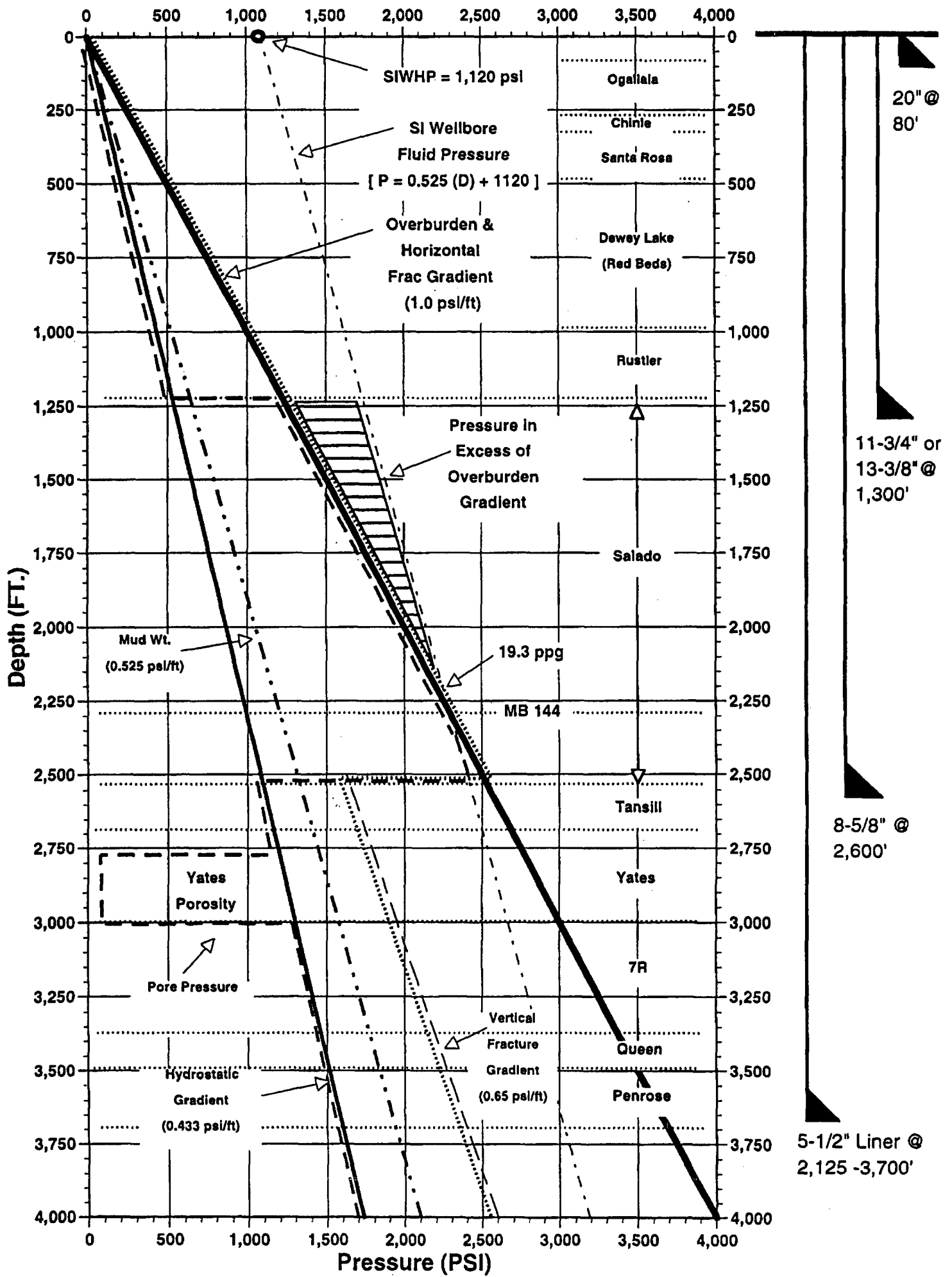
Date of Survey
Signature and Seal of Professional Surveyor:

R-9870: 160 acre Non-Standard Unit comprising the SE/4 SE/4 of Sec. 10 and the NE/4 NE/4 and the S/2 NE/4 of Sec. 15. T26S, R37E

Certificate Number

Pressure - Depth Profile and Required Casing Program

Portions of Sections 10 & 15, T-26-S, R-37-E
Lea County, NM



- - - 0.525 (PSI/FT) - - - 0.650 (PSI/FT) - - - SIP 1090 (PSI) @ Surface
 ——— 1.00 (PSI/FT) ——— 0.433 (PSI/FT)

DOYLE HARTMAN

Oil Operator

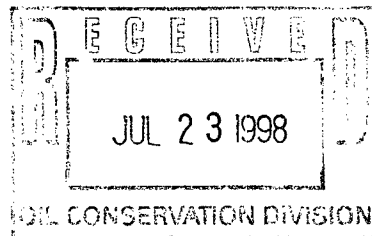
500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX



Via FedEx

July 21, 1998

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907

Lori Wrotenberg, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Armando Lopez, Assistant District Manager, Minerals
Bureau of Land Management
2929 W. Second
Roswell, NM 88201

Re: Gruy Petroleum Management Company's (Gruy's) Threatened Simultaneous Dedication
Gregory "B" No. 2 160-acre Non-Standard Rhodes Gas S.P.U.
SE/4SE/4 Section 10 and NE/4NE/4, S/2NE/4 Section 15, T-26-S, R-37-E
Lea County, New Mexico

Dear Madam and Sirs:

Reference is made to Gruy's herein enclosed July 17, 1998 letter to us corresponding to the 1993 NMOCD-approved 160-acre non-standard single-well Gregory "B" No. 2 Rhodes Gas S.P.U., which letter from Gruy reads as follows:

This letter shall serve as notice that Gruy Petroleum Management Co. has applied for drilling permits at unorthodox locations, for a second and third well in an existing 160.00 acre unit, on the referenced leasehold. Enclosed, are copies of the C-102's showing these locations (emphasis added).

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 2

Reference is also made to NMOCD Order R-9870, dated April 14, 1993, that approved the 160-acre Gregory "B" No. 2 non-standard Rhodes Gas Pool S.P.U. (copy enclosed). In Order R-9870, the NMOCD found as follows:

(4) The Rhodes-Yates-Seven Rivers Gas Pool is an unprorated gas pool governed under the Division's general Rules and Regulations which require 160-acre spacing and proration units, substantially in the form of a square, which is a quarter section, being a legal subdivision of the U.S. Public Lands Survey. Said pool is also governed by the two Division Memorandums dated July 27, 1998 and August 3, 1990, which disallow the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools (emphasis added).

In Order R-9870, the NMOCD ordered that:

(1) The application of Meridian Oil Inc. for a 160-acre non-standard gas spacing and proration unit in the Designated and Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4SE/4 of Section 10, and the NE/NE/4 and the S/2NE/4 of Section 15, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Said unit is to be dedicated to its Gregory "B" Well No. 2 to be drilled at a standard gas well location in Unit A (NE/4NE/4 of said Section 15) (emphasis added).

From a reading of Order R-9870, it is very clear that the 160-acre non-standard Gregory "B" No. 2 Rhodes Gas Pool S.P.U., consisting of the SE/4SE/4 Section 10 and NE/4NE/4, S/2NE/4 Section 15, was approved for the drilling of a single Rhodes Gas Pool well (at an orthodox gas well location) in Unit A of Section 15, T-26-S, R-37-E, and very clearly disallows the simultaneous dedication, of more than one well, to the subject 160-acre non-standard S.P.U.

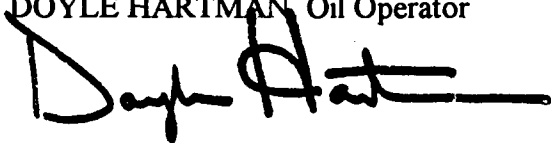
Since (1) an efficiently-completed Rhodes Yates-Upper Seven Rivers gas well is more than capable of efficiently and effectively draining any remaining economically recoverable reserves from a 160-acre Rhodes S.P.U., and (2) there most certainly does not exist a compelling reason (other than draining non-owned offset reserves), for Gruy to drill and complete two additional Rhodes Yates-Upper Seven Rivers gas wells on the subject 160-acre Gregory "B" No. 2 Rhodes S.P.U., we expect Gruy to fully conform to the letter and spirit of NMOCD Order R-9870 and to continue to produce, at any given point in time, its remaining Gregory "B" gas reserves, with only one single active Rhodes Yates-Upper Seven Rivers gas completion. In conclusion, the future exploitation, by Gruy, of the 160-acre Gregory "B" No. 2 S.P.U., with more than one currently active Rhodes Yates-Upper Seven

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 3

Rivers gas producer, would violate the correlative rights of offsetting owners and would also result in the drilling of unnecessary expensive wells in a documented high-pressure high-volume Salado brine flow area.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures

rcp
wpdocs\corresp.dh\gruy.5

cc: Magnum Hunter Resources, Inc.
Magnum Hunter Production, Inc.
Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907
Attn: Chris Tong, Senior Vice President and Chief Financial Officer
Greg Jessup, Vice President Land
Morgan F. Johnson, Vice President, General Counsel and Secretary
David S. Krueger, Vice President and Chief Accounting Officer
R. Douglas Cronk, Vice President
Michael P. McInerney, Vice President, Corporate Development
and Investor Relations
Frances P. Evans, Assistant Vice President and Treasurer
Bill Mann, Operations Manager
Zeno Farris, Manager of Operation Administration
Oscar C. Lindemann, Director
James E. Upfield, Director
Gerald W. Bolfig, Director
John H. Trescot, Jr., Director

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505
Attn: Michael Stogner, Chief Hearing Officer

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 4

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505
Attn: David R. Catanach, Petroleum Engineer Specialist

New Mexico Oil Conservation Division
1000 W. Broadway (88240)
P.O. Box 1980
Hobbs, NM 88241
Attn: Chris Williams, District Supervisor

Bureau of Land Management
620 E. Green (88220)
P.O. Box 1778
Carlsbad, NM 88221-1778
Attn: Richard L. Manus, Area Manager

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240
Attn: Vince Balderaz, Lead Oil & Gas Inspector

Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907
Attn: Joe T. Janica, Agent

Reggie Resten, Production Supervisor
Gruy Petroleum Management Company
814 W. Marland (88240)
P.O. Box 416
Hobbs, NM 88240

Warren J. Bates
926 W. King's Road (74820)
P.O. Box 1357
Ada, OK 74821-1357

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company, et al
July 21, 1998
Page 5

David L. Sleeper, Land Department
Texaco Exploration and Production Inc
4601 DTC (80237)
P.O. Box 2100
Denver, CO 80201

James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

DOYLE HARTMAN
Oil Operator
3811 TURTLE CREEK BLVD., SUITE 200
DALLAS, TEXAS 75219

(214) 520-1800
(214) 520-0811 FAX

Via FedEx

May 21, 1998

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Attn: Lori Wrotenbery, Director
Michael E. Stogner, Chief Hearing Officer

Re: Unorthodox Gas Well Location, Simultaneous
Dedication, and Lack of Notice
Gruy Petroleum Management Company
Rhodes Federal Unit Nos. 103 and 159
Sections 10 and 15, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Gentlemen:

Reference is made to the following locations that have just been announced by Gruy Petroleum Management Company:

Rhodes Federal Unit No. 103
990' FSL and 990' FEL (P)
Section 10, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Rhodes Federal Unit No. 159
2100' FNL and 460' FEL (H)
Section 15, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

As the lessee of record of 100% of the leasehold estate covering the north and west offset 320-acre C.T. Bates fee lease, we hereby give notice that Gruy Petroleum Management Company's recently announced Rhodes Federal Unit (RFU) Nos. 103 and 159 wells are (1) located within the boundaries of the Rhodes Gas Pool (which now provides for a single producing well on 160-acre spacing) and (2) as gas wells, are subject to 660' setbacks from the spacing and proration unit (S.P.U.) line, not

New Mexico Oil Conservation Division

May 21, 1998

Page 2

a 330' setback as requested by Gruy for its proposed unorthodox RFU No. 103 location consisting of 990' FSL and 990' FEL of Section 10, T-26-S, R-37-E.

As currently proposed, and as depicted on the ownership-structure map enclosed herewith, Gruy's newly announced RFU Nos. 103 and 159 wells are to be drilled on the same 160-acre non-standard non-prorated S.P.U. that is presently dedicated to Gruy's Gregory "B" No. 2 Rhodes (Gas) well situated 990' FNL and 660' FEL of Section 15, T-26-S, R-37-E. The 160-acre Gregory "B" No. 2 Rhodes (Gas) S.P.U. was created on April 14, 1993, by NMOCD Order No. R-9870.

In light of the foregoing, we respectfully request that Gruy's proposed 330'-setback unorthodox location for the RFU No. 103 location be promptly adjusted to an orthodox gas well (in a gas pool) location, which is 660' from the lease line, and that Gruy take notice that Doyle Hartman opposes a new Rhodes gas well (in a gas pool) completion (that is situated at an unorthodox 330'-setback location) from receiving approval to produce at unrestricted full deliverability rates, as would be the case, if a well were situated, as a single well, on a full 160-acre S.P.U., and at an orthodox 660' setback location.

Moreover, as the second and third gas wells, on the currently existing 160-acre Gregory "B" No. 2 non-prorated gas S.P.U., the proposed Gruy-operated RFU Nos. 103 and 159 wells are not in compliance with the NMOCD's August 3, 1990 *Memorandum to All Operators*, which memorandum pertains to "...applications for additional wells on existing proration units...(emphasis added)". A copy of the NMOCD's August 3, 1990 memorandum is enclosed herewith. Consequently, Doyle Hartman further objects to Gruy's requested deviation from the NMOCD's revised policy (after July 27, 1988) of prohibiting more than one producing well on a non-prorated gas S.P.U.

Finally, as documented by the herein enclosed excerpts (pertaining to Tracts 58 and 59 of Exhibit "A-2") from that certain January 2, 1986 assignment from Sun Oil Company to Doyle Hartman, et. al., Doyle Hartman and James A. Davidson (as successors-in-interest, through Sun, to R. Olsen and Stanolind Oil and Gas Company) own certain oil, casinghead gas, and processed liquids rights under the 5,480-acre 1944-approved Rhodes Federal Unit, with one of the Hartman-Davidson contributed RFU tracts consisting of the S/2NE/4 Section 15, T-26-S, R-37-E, on which Gruy now proposes to drill its subject RFU No. 159 well. Hartman's and Davidson's ownership notwithstanding, and contrary to the spirit and purpose of 70-2-16 through 70-2-18 NMSA, to date, Doyle Hartman and James A. Davidson have received no notice or paperwork whatsoever regarding Gruy's newly proposed RFU Nos. 103 and 159 wells in Sections 10 and 15, T-26-S, R-37-E, nor, as previously requested, has Gruy, or its predecessor-in-interest, made any attempt to account for Hartman and

New Mexico Oil Conservation Division

May 21, 1998

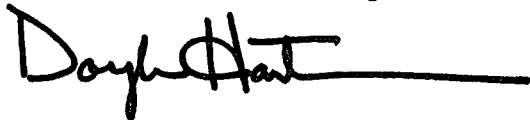
Page 3

Davidson's recorded ownership under the Rhodes Federal Unit (copy of Hartman to Meridian letter of March 25, 1996 enclosed).

Your very prompt attention to the herein above-discussed matters is respectfully requested prior to the newly announced Rhodes Federal Unit wells being drilled.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending to the right.

Doyle Hartman

enclosures

rcs/rjr
wpdocs\corresp.dh\gruy

cc: Bureau of Land Management
1717 W. Second
Roswell, NM 88201
Attn: Armando Lopez, Asst. District Mgr., Minerals

Bureau of Land Management
620 E. Green (88220)
P.O. Box 1778
Carlsbad, NM 88221-1778
Attn: Richard L. Manus, Area Manager

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240
Attn: Vince Balderaz, Lead Oil & Gas Inspector

New Mexico Oil Conservation Division
1000 W. Broadway (88240)
P.O. Box 1980
Hobbs, NM 88241
Attn: Chris Williams, District Supervisor

New Mexico Oil Conservation Division

May 21, 1998

Page 4

Via Express Mail and Certified Mail, Return Receipt Requested

Gruy Petroleum Management Company

600 E. Las Colinas Blvd., Suite 1200 (75039)

P.O. Box 140907

Irving, TX 75014-0907

Attn: Richard R. Frazier, President & Chief Operating Officer

Bill Mann, Operations Manager

Greg Jessup, Vice President Land

James A. Davidson

214 W. Texas, Suite 710

Midland, TX 79701

Gallegos Law Firm

460 St. Michaels Drive, Building 300

Santa Fe, NM 87505

Attn: J.E. Gallegos

Michael J. Condon

Proposed Rhodes (Gas) Location

C.T. Bates No. 3

1980' FSL and 1980' FWL (k)

Sec. 10, T-26-S, R-37-E

Proposed Gruy Unorthodox Location

Rhodes Federal Unit No. 103

990' FSL and 990' FEL (p)

Sec. 10, T-26-S, R-37-E

LOWER YATES PINCHOUT
EASTERN EDGE

LANDS SUBJECT
TO
RHODES UNIT AGREEMENT
(MARCH 1944)

Exiting 160-acre Rhodes (Gas) S.P.U.

Gregory "B" Federal No. 2

990' FNL and 660' FEL (A)

Sec. 15, T-26-S, R-37-E

Proposed Rhodes (Gas) Location

C.T. Bates No. 4

660' FNL and 2310' FEL (b)

Sec. 15, T-26-S, R-37-E

Proposed Gruy Location

Rhodes Federal Unit No. 159

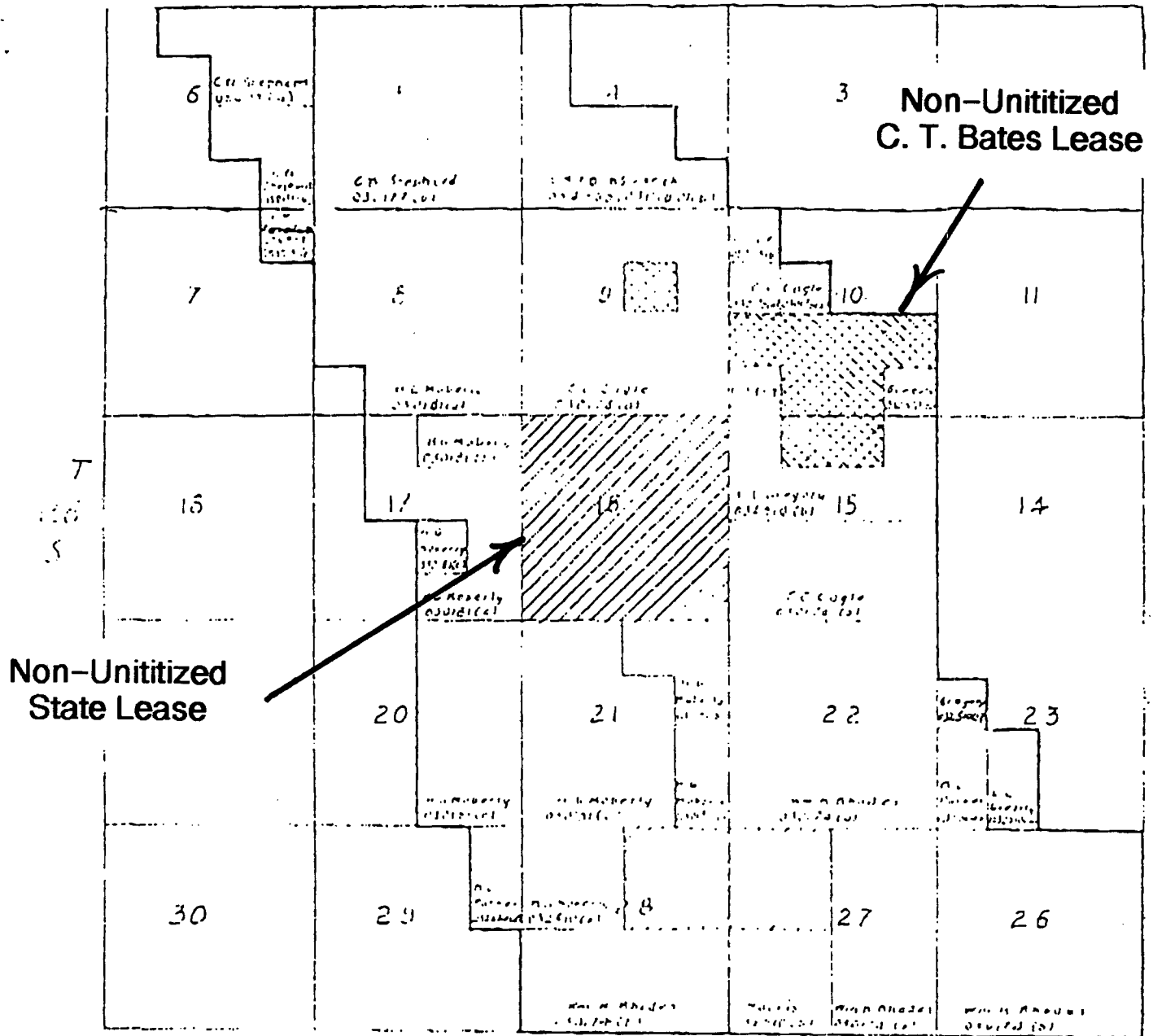
2110' FNL and 460' FEL (h)

Sec. 15, T-26-S, R-37-E

26 37
RHODES UNIT

Excerpt From 1944 Rhodes Federal Unit Agreement

H 37-E



DH

OIL REPORTS

May 12, 1998

LOCATIONS AND RE-ENTRIES CONT'D:

Eddy County

Sec 1 T19S R30E 9.5 mi SE Loco Hills
CHI OPERATING INC Land Rush Fed Com #1
1750/S & 760/E Wildcat
Rot 12,400 Morrow
API #30-015-30197

Sec 5 T22S R31E 9.5 mi SW Halfway
PENWELL ENERGY INC Loper "5" Fed #2
660/N & 660/E Lost Tank
Rot 8350 Delaware
API #30-015-30198

Sec 5 T22S R31E 9.5 mi SW Halfway
PENWELL ENERGY INC Loper "5" Fed #4
660/N & 1980/E West Lost Tank
Rot 8350 Delaware
API #30-015-30199

Sec 5 T22S R31E 9.5 mi SW Halfway
PENWELL ENERGY INC Loper "5" Fed #5
660/N & 1980/W West Lost Tank
Rot 8350 Delaware
API #30-015-30200

Sec 1 T24S R30E 12.5 mi NE Malaga
PENWELL ENERGY INC Blackjack 1 Fed #1
1980/N & 1980/W Wildcat
Rot 8100 Bone Spring
API #30-015-29970

Lea County

Sec 11 T16S R35E 3.5 mi SW Lovington
YATES PET CO Runnels ASP #1
1980/N & 1980/E Townsend
Rot 12,500 Morrow
Re-entry of Harold Runnels, Lusk #2,
P&A, Old TD 10,667
API #30-025-02785

Lea County

Sec 18 T20S R39E 4 mi SE Nadine
PIONEER NAT'L RESOURCES US, INC.
McCasland 18 Fee #1
1650/S & 2000/W House
Rot 7700 Abo
API #30-025-34391

Sec 22 T21S R37E 1.5 mi N Eunice
APACHE CORP Turner #18
330/S & 2310/W Paddock
Rot 5350 Paddock
API #30-025-34388

Sec 10 T24S R33E 7.5 mi NW Ochoa
ENRON OIL & GAS CO Jackson 10 St Com #2
1980/N & 1980/E Johnson Ranch
Rot 14,000 Wolfcamp
API #30-025-34397

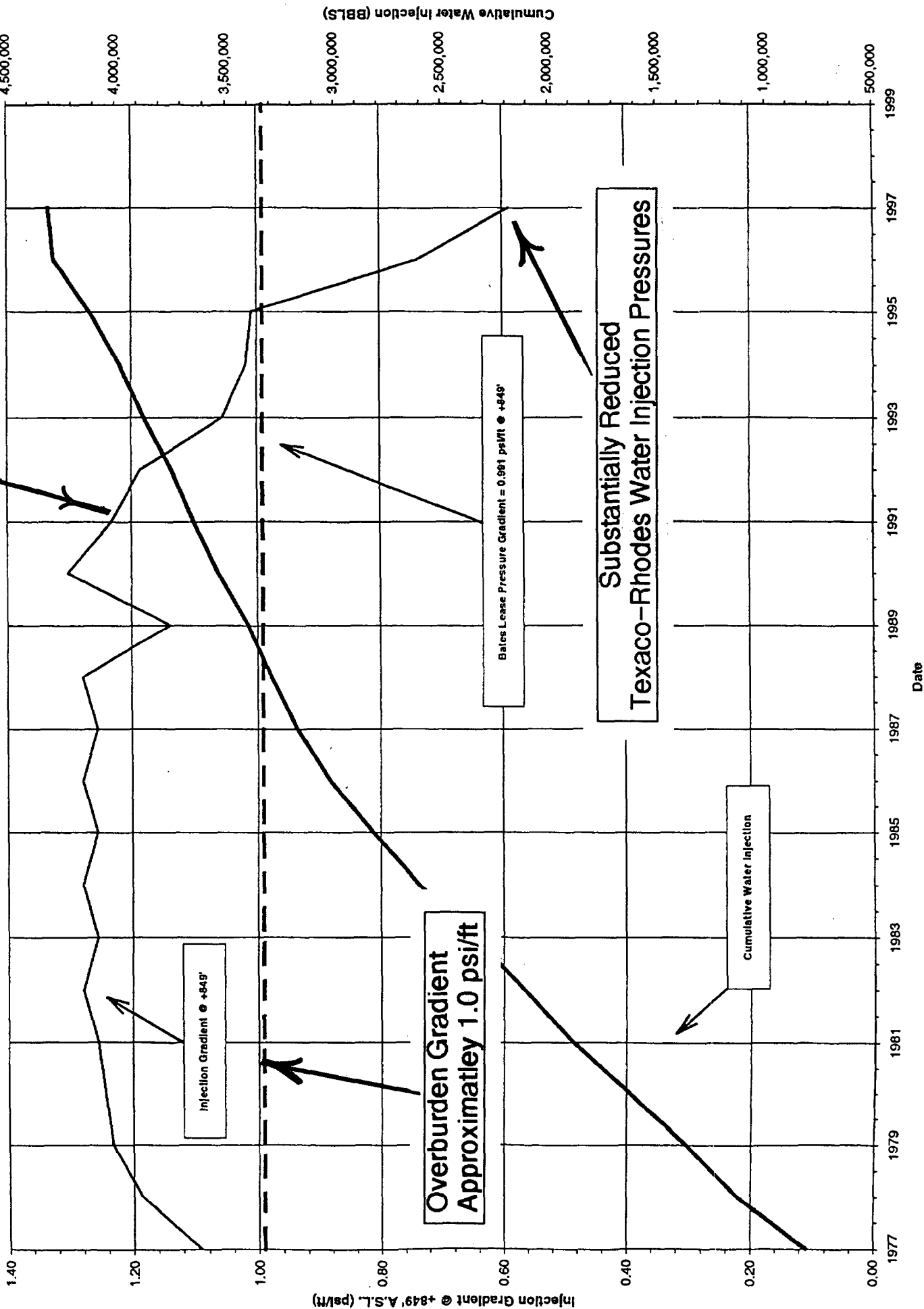
Sec 4 T26S R37E 2 mi SW Jal
GRUY PET MGMT CO Rhodes Fed Unit #415
660/S & 660/W Rhodes
Rot 3380 Yates Seven Rivers
API #30-025-34396

Sec 10 T26S R37E 3 mi SE Jal
GRUY PET MGMT CO Rhodes Fed Unit #103
990/S & 990/E Rhodes
Rot 3380 Yates Seven Rivers
API #30-025-34394

Sec 15 T26S R37E 4 mi SE Jal
GRUY PET MGMT CO Rhodes Fed Unit #159
2110/N & 460/E Rhodes
Rot 3380 Yates Seven Rivers
API #30-025-34395

[Example Texaco-Rhodes Injection History

W H Rhodes B Federal NCT 1 No. 4
Water Injection Gradient & Cumulative Water Injection
Texaco Exploration & Production



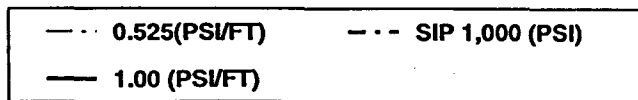
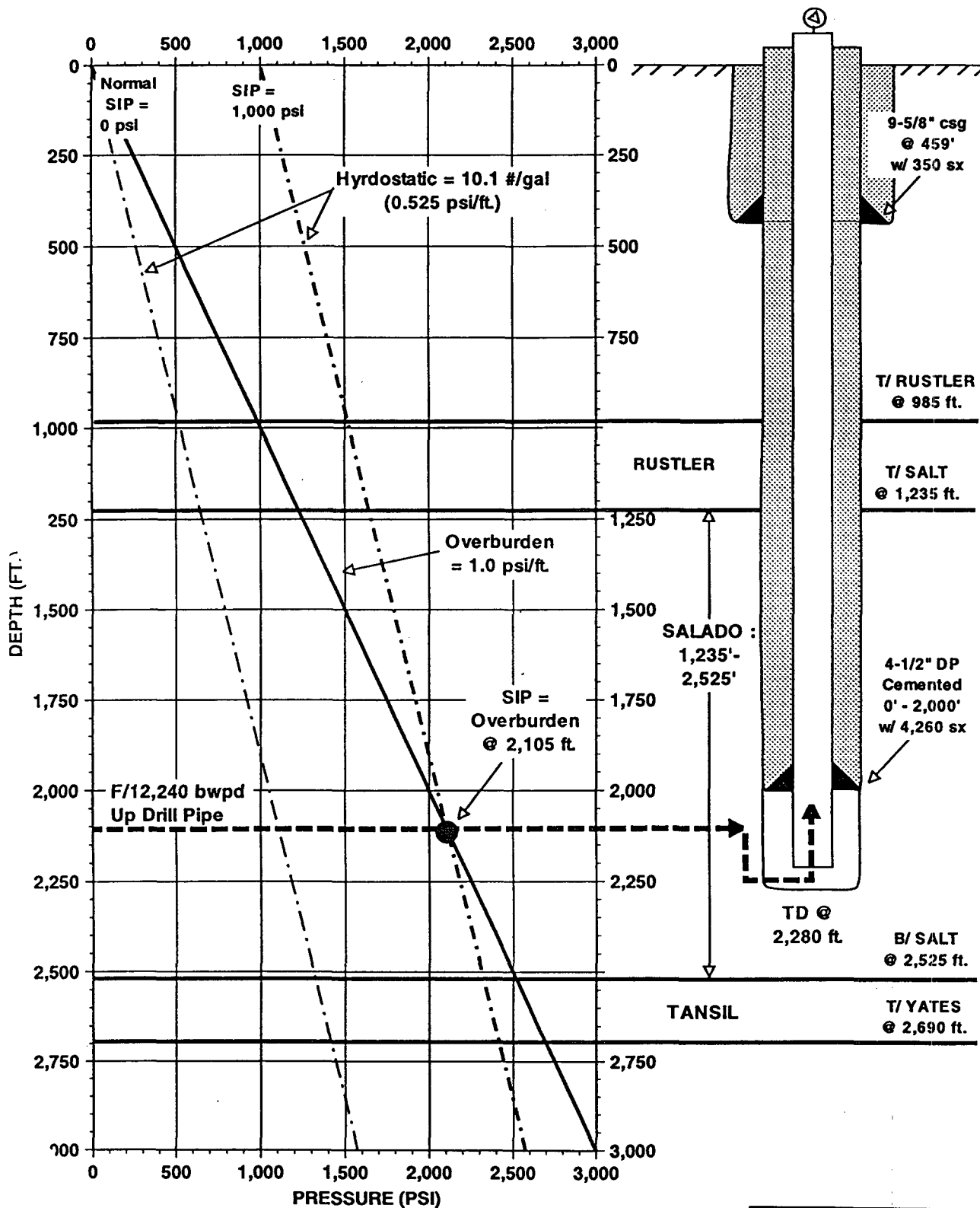
BATES # 2

HIGH-PRESSURE HIGH-VOLUME WATERFLOW FROM SALADO

(L-10-26S-37E)

1-21-91

OH : 2,000-2,280' : F/12,240 BWPD @ 85 PSIG (Thru Drill Pipe)
OH : 2,000-2,280' : SIWHP = 1,000 PSI



Flow Test Performed
After Squeeze Cementing
4½" Drill Pipe
in Hole With 4260 Net Sx



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-6300

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.

THIS CONVEYANCE from SUN OPERATING LIMITED PARTNERSHIP by SUN EXPLORATION AND PRODUCTION COMPANY, its Managing General Partner, and SUN EXPLORATION AND PRODUCTION COMPANY (herein collectively called "Sun"), to DOYLE HARTMAN, JAMES A. DAVIDSON, MICHAEL L. KLEIN and JOHN H. HENDRIX CORPORATION, a Texas corporation, (herein called "Hartman", whether one or more) and AGREEMENT by and between Sun and Hartman in connection therewith, which is delivered and effective at 7:00 A.M. local time at the location of the Subject Interests (as hereinafter defined), respectively, on January 2, 1986 (the "Effective Date");

W I T N E S S E I H:

Sun for the amount of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and subject to the terms and provisions hereof, by these presents does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER and DELIVER unto Hartman all of Sun's right, title and interest in and to the following:

A. The oil, gas and other mineral leases, interests, rights and properties which are specifically described in Schedule A (hereinafter called "Subject Interests") attached hereto and made A PART HEREOF FOR ALL PURPOSES INCLUDING ALL EXTENSIONS AND RENEWALS THEREOF: SUBJECT (to the extent and only to the extent that the same are valid and subsisting) to all restrictions, exceptions, reservations, conditions, limitations, interests, burdens, contracts, agreements, instruments and other matters (including, but not limited to, oil and gas sales, purchase, exchange and processing contracts, operating agreements and pooling, unitization or communitization agreements, declarations and orders and other contracts, agreements and instruments), which relate to any of such properties, including, without limitation, all such matters, if any, as set forth in the specific descriptions of such properties in Schedule A; provided, however, that the parties hereto recognize that certain interests in such properties may have expired or been released, and that Sun, and its predecessors in interest, have, from time to time, conveyed all or portions of their interests in certain

BOOK 394 PAGE 658

dated November 16, 1938, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as parties of the first part, and Stanolind Oil and Gas Company, as party of the second part.

- (2) An overriding royalty interest of 1/64th of oil, casinghead gas and similar hydrocarbons except dry gas and residue gas from total production of the oil, gas and other minerals in favor of A. K. Barnes and assigns.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .796875.

TRACT 58 - GREGORY LEASE

All operating rights under the

Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section 10, Township 26 South, Range 37 East, Lea County, New Mexico to a depth of 3500 feet below the surface of the soil,

said operating rights being created under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company and that certain Sub-Lease of Oil and Gas Lease and Operating Agreement, dated June 1, 1955, between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Sub-Lease of Oil and Gas Lease and Operating Agreement relates to the following described lease:

Oil and Gas Lease dated July 29, 1937, being a "b" lease, issued by the Secretary of the Interior of the United States to R. Olsen Oil Company and Anderson-Prichard Oil Corporation, recorded in Book 33, Page 587, of the Oil and Gas Records of the office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 032510(b),

subject to the following:

- (1) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, grantor, and Uscon Oil Company and Anderson-Prichard Oil Corporation, grantees, providing, among other things, for the payment to Stanolind Oil and Gas Company of \$500,000.00, payable from gross proceeds of the sale, disposal or utilization of 1/16th of the oil, casinghead gas and other hydrocarbon substances produced from the above described and other lands, as amended by contract dated November 16, 1938, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, parties of the first part, and Stanolind Oil and Gas Company, party of the second part, as amended by Amendment to Contract dated May 31, 1939, between the same parties.
- (2) An overriding royalty interest of 1/64th of the total production of oil, casinghead gas and similar hydrocarbons except dry gas and residue gas in favor of A. K. Barnes and assigns.
- (3) Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as oil operators, and Stanolind Oil and Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only.

The fractional share of the oil, casinghead gas and other liquid hydrocarbons produced from the above described land above 3500 feet owned by Assignor is .796875.

TRACT 59 - GREGORY LEASE

All operating rights under the

BOOK 394 PAGE 659

South Half of the Northeast Quarter (S/2 NE/4) and the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section 15, Township 26 South, Range 37 East, Lea County, New Mexico, to a depth of 3500 feet below the surface of the soil,

said operating rights being created under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company, and that certain Sub-Lease of Oil and Gas Lease and Operating Agreement dated June 1, 1955, between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Sub-Lease of Oil and Gas Lease and Operating Agreement relates to the following described oil and gas lease:

Oil and Gas Lease, dated July 29, 1937, being a "b" lease, issued by the Secretary of the Interior of the United States to R. Olsen Oil Company and Anderson-Prichard Oil Corporation, recorded in Book 33, Page 587, of the Oil and Gas Records of the Office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 032510(b),

subject to the following:

- (1) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, grantor, and Uscon Oil Company and Anderson-Prichard Oil Corporation, grantees, providing, among other things, for the payment to Stanolind Oil and Gas Company of \$500,000.00 payable from gross proceeds of the sale, disposal or utilization of 1/16th of the oil, casinghead gas and other hydrocarbon substances produced from the above described and other lands, as amended by Contract dated November 16, 1938, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, parties of the first part, and Stanolind Oil and Gas Company, party of the second part.
- (2) An overriding royalty interest of 1/64th of the total production of oil, casinghead gas and similar hydrocarbons except dry gas and residue gas in favor of A. K. Barnes and assigns.
- (3) Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as oil operator and Stanolind Oil and Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only.

The fractional share of the oil, casinghead gas and other liquid hydrocarbons produced from the above described land above 3500 feet owned by Assignor is .796875.

TRACT 60 - GREGORY LEASE

An undivided one-half (1/2) of the operating rights under the

Southeast Quarter (SE/4) of Section 34, Township 25 South, Range 37 East, Lea County, New Mexico, to a depth of 3500 feet below the surface of the soil,

said operating rights being created under and by virtue of that certain Operating Agreement, dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company, insofar as said Operating Agreement relates to the following described lease:

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE RHODES AREA

This agreement, entered into as of the 1st day of January, 1944, by and between the parties subscribing or consenting hereto,

WITNESSETH:

WHEREAS, the parties subscribing or consenting hereto are the owners of operating, royalty, or other oil or gas interests in the Rhodes unit area hereinafter defined;

WHEREAS, it is the purpose of the parties hereto to conserve the natural resources, prevent avoidable waste, and obtain the other benefits obtainable through development and operation of said unit area (or the part thereof made subject to this agreement) under the terms, conditions, and limitations hereinafter set forth, under and pursuant to the provisions of sections 17, 27 and 32 of the act of Congress, approved February 25, 1920, entitled "An act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain," 41 Stat. 443, 448, 450, as amended or supplemented by the acts of March 4, 1931, 46 Stat. 1525, and August 21, 1935, 49 Stat. 677, 678; 30 U. S. C. 226, 184 and 189;

NOW, THEREFORE, in consideration of the premises and the promises hereinafter contained, the parties hereto and the parties consenting hereto agree among themselves and with the

Date March 13th, 1944.

EL PASO NATURAL GAS COMPANY

By C. C. GRAGIN (sgd)

Vice President

Attest: J. E. FRANEY (sgd)

Secretary

GROUP 1
UNITIZED
SUBSTANCES
5480 AC.

Sec. 7: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Oil rights only above 4000' and
all gas rights in:

Sec. 9: SW $\frac{1}{4}$ NE $\frac{1}{4}$

Gas rights only to 4000' depth in:

✓ Sec. 4: W $\frac{1}{2}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$; W $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

✓ Sec. 10: SW $\frac{1}{4}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

✓ Sec. 15: NE $\frac{1}{4}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NW $\frac{1}{4}$; S $\frac{1}{2}$ N $\frac{1}{2}$

✓ Sec. 5: All

✓ Sec. 6: NE $\frac{1}{4}$ NW $\frac{1}{4}$; NE $\frac{1}{4}$; N $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

✓ Sec. 8: NW $\frac{1}{4}$; N $\frac{1}{2}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$; E $\frac{1}{2}$

✓ Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$; W $\frac{1}{2}$; SE $\frac{1}{4}$

✓ Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$

✓ Sec. 15: S $\frac{1}{2}$

✓ Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$

✓ Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$

Sec. 22: All

Sec. 26: All

Sec. 27: E $\frac{1}{2}$

Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37
East, N.M.P. Meridian.

(40)

(360)

(80)

(240)

(640)

(360)

(600)

(600)

(120)

(320)

(80)

(120)

(640)

(640)

(320)

(320)

5480

Date March 22, 1944, 1944.

THE TEXAS COMPANY

By J. S. LEACH (sgd)

J. S. LEACH Vice President

Attest: J. B. DUKE (sgd)

SEAL J. B. Duke

Assistant Secretary

Date March 31, 1944.

COLUMBIAN CARBON COMPANY

By REID L. CARR (sgd)

President

Attest: GEO. L. BUBB (sgd)

SEAL Asst. Secretary

Date April 6, 1944.

AMERADA PETROLEUM CORPORATION

By ALLMAND M. BLOW (sgd)

Vice-Pres.

Attest: L. G. ETCHEISON (sgd)

SEAL Asst. Secy.

Sec. 5: All

Sec. 6: NE $\frac{1}{4}$ NW $\frac{1}{4}$; NE $\frac{1}{4}$; N $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 8: NW $\frac{1}{4}$; N $\frac{1}{2}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$; E $\frac{1}{2}$

Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$; W $\frac{1}{2}$; SE $\frac{1}{4}$

Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$

Sec. 15: S $\frac{1}{2}$

Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$

Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$

Sec. 22: All

Sec. 26: All

Sec. 27: E $\frac{1}{2}$

Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37
East, N.M.P. Meridian.

Approved as to terms:

11 3/16/44 C. B. WILLIAMS (sgd)

Date March 13th, 1944.

EL PASO NATURAL GAS COMPANY

By C. C. CRAGIN (SGD)

Vice President

Attest: J. E. FRANEY (SGD)

Secretary

Sec. 7: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Oil rights only above 4000' and
all gas rights in:

Sec. 9: SW $\frac{1}{4}$ NE $\frac{1}{4}$

Gas rights only to 4000' depth in:

Sec. 4: W $\frac{1}{2}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$; W $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 10: SW $\frac{1}{4}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 15: NE $\frac{1}{4}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NW $\frac{1}{4}$; S $\frac{1}{2}$ N $\frac{1}{2}$

Sec. 5: All

Sec. 6: NE $\frac{1}{4}$ NW $\frac{1}{4}$; NE $\frac{1}{4}$; N $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 8: NW $\frac{1}{4}$; N $\frac{1}{2}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$; E $\frac{1}{2}$

Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$; W $\frac{1}{2}$; SE $\frac{1}{4}$

Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$

Sec. 15: S $\frac{1}{2}$

Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$

Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$

Sec. 22: All

Sec. 26: All

Sec. 27: E $\frac{1}{2}$

Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37

East, N.M.P. Meridian.

Date March 22, 1944, 1944.

THE TEXAS COMPANY

By J. S. LEACH (sgd)

J. S. LEACH Vice President

Attest: J. B. DUKE (sgd)

SEAL J. B. Duke
Assistant Secretary

Sec. 5: All

Sec. 6: NE $\frac{1}{4}$ NW $\frac{1}{4}$; NE $\frac{1}{4}$; N $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 8: NW $\frac{1}{4}$; N $\frac{1}{2}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$; E $\frac{1}{2}$

Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$; W $\frac{1}{2}$; SE $\frac{1}{4}$

Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$

Sec. 15: S $\frac{1}{2}$

Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$

Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$

Sec. 22: All

Sec. 26: All

Sec. 27: E $\frac{1}{2}$

Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37
East, N.M.P. Meridian.

Date March 31, 1944.

COLUMBIAN CARBON COMPANY

By REID L. CARR (sgd)

President

Attest: GEO. L. BUDB (sgd)

SEAL GEO. L. BUDB
Asst. Secretary

Date April 6, 1944.

AMERADA PETROLEUM CORPORATION

By ALLMAND M. BLOW (sgd)

Vice-Pres.

Attest: L. G. ETCHISON (SGD)

SEAL L. G. ETCHISON
Asst. Secy.

Approved as to terms:

11 3/16/44 C. B. WILLIAMS (sgd)

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Doyle Hartman P. O. Box 10426 Midland, TX 79702		² OGRID Number 6473
		³ API Number 30 - 0
⁴ Property Code	⁵ Property Name C. T. Bates	⁶ Well No. 3

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	10	26S	37E		1980'	South	1980'	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Rhodes (Y-7R) Gas					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 2987
¹⁶ Multiple No	¹⁷ Proposed Depth 3800'	¹⁸ Formation Rhodes (Y-7R) Gas	¹⁹ Contractor TMBR Sharp	²⁰ Spud Date 6-10-98

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
26"	20"	94#/ft	65'	125 sx (162 cu. ft.)	Surface
17-1/2"	13-3/8"	54.5#/ft	450'	400 sx	Surface
12-1/4"	9-5/8"	36#/ft	1700'	840 sx	Surface
8-3/4"	7"	23#/ft	3800'	908 sx	Surface

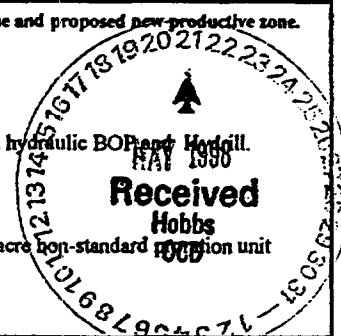
²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

After setting 20" casing, rotating head will be installed for drilling 17-1/2" hole to 450'.

Before drilling out from under 13-3/8" intermediate, the well will be equipped with a 3000-psi 10" series-900 double-ram hydraulic BOP and Hordill.

Cement volumes may be adjusted to insure that the cement behind all the strings of casing will be brought to the surface.

Note: This well is being drilled as a replacement well for the C. T. Bates #2 blowout well on a previously approved 160-acre non-standard operation unit (NMOCD Administrative Order NSP-1292-A, 1/11/91).



²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Don Mashburn</i> Printed name: Don Mashburn Title: Engineer Date: 5/20/98		OIL CONSERVATION DIVISION Approved by: Title: Approval Date: Expiration Date: Conditions of Approval: Attached <input type="checkbox"/>	
Phone: (915) 684-4011			

DISTRICT II
C. Drawer DD, Artesia, NM 86211-0719

DISTRICT III
600 Rio Brakes Rd., Aztec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 83810	Pool Name RHODES (Y-7R) GAS
Property Code	Property Name C. T. BATES	Well Number 3
OCRD No.	Operator Name DOYLE HARTMAN	Elevation 2987

Surface Location

UL or lot No. K	Section 10	Township 26 S	Range 37 E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 1980	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 160	Joint or Infill N	Consolidation Code O*	Order No. NSP-1292-A (1/11/91)
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>PLUGGED AND ABANDONED RHODES GAS WELL C. T. BATES NO. 1 1980' FSL AND 660' FWL (L) SECTION 10, T-26-S, R-37-E</p> <p>BLOWOUT INFILL WELL C. T. BATES NO. 2 1980' FSL AND 760' FWL (L) SECTION 10, T-26-S, R-37-E</p> <p>PROPOSED REPLACEMENT WELL C. T. BATES NO. 3 1980' FSL AND 1980' FWL (K) SECTION 10, T-26-S, R-37-E</p> <p>NSP-1292-A (1/11/91)</p> <p>P&A 1/22/91</p> <p>P&A 2/26/88</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Don Mashburn</i> Signature Don Mashburn Printed Name Engineer Title 5/21/98 Date MAY 1998 Received Hobbs OCB</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>MAY 20, 1998</p> <p>Date Surveyed Signature Professional Seal of Professional Surveyor NEW MEXICO JLP</p> <p>21-99 98-11-310 Certified to: RONALD J. EIDSON, 3239 CAROL EIDSON, 12441 PROFESSIONAL SURVEYOR, 12135</p>
--	--

* 100% OF LEASEHOLD OWNED BY DOYLE HARTMAN

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
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State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Doyle Hartman P. O. Box 10426 Midland, TX 79702		² OGRID Number 6473
		³ API Number 30 - 0
⁴ Property Code	⁵ Property Name C. T. Bates	⁶ Well No. 4

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	15	26S	37E		660'	North	2310'	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

⁹ Proposed Pool 1 Rhodes (Y-7R) Gas	¹⁰ Proposed Pool 2
---	-------------------------------

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 2991'
¹⁶ Multiple No	¹⁷ Proposed Depth 3800'	¹⁸ Formation Rhodes (Y-7R) Gas	¹⁹ Contractor TMBR Sharp	²⁰ Spud Date 9/1/98

²¹ Proposed Casing and Cement Program

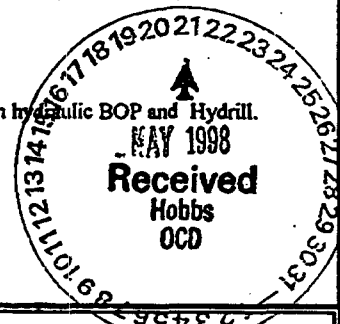
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
26"	20"	94#/ft	65'	125 sx (162 cu. ft.)	Surface
17-1/2"	13-3/8"	54.5#/ft	450'	400 sx	Surface
12-1/4"	9-5/8"	36#/ft	1700'	840 sx	Surface
8-3/4"	7"	23#/ft	3800'	908 sx	Surface

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

After setting 20" casing, rotating head will be installed for drilling 17-1/2" hole to 450'.

Before drilling out from under 13-3/8" intermediate, the well will be equipped with a 3000-psi 10" series-900 double-ram hydraulic BOP and Hydrill.

Cement volumes may be adjusted to insure that the cement behind all the strings of casing will be brought to the surface.



²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Don Mashburn*

Printed name: Don Mashburn

Title: Engineer

Date: 5/20/98

Phone: (915) 684-4011

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Box 20, Artesia, NM 88211-0020

DISTRICT III
1000 Rio Grande Rd., Artesia, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 83810	Pool Name RHODES (Y-7R) GAS
Property Code	Property Name C. T. BATES	Well Number 4
OGUD No.	Operator Name DOYLE HARTMAN	Elevation 2991

Surface Location

TL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	15	26 S	37 E		660	NORTH	2310	EAST	LEA

Bottom Hole Location If Different From Surface

TL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill N	Consolidation Code O*	Order No.
------------------------	----------------------	--------------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>PROPOSED WELL C. T. BATES NO. 4 660' FNL AND 2310' FEL (B) SECTION 15, T-26-S, R-37-E</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Don Mashburn</i> Signature Don Mashburn Printed Name Engineer Title 5/21/98 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the location shown on this plat was plotted from field notes of actual survey made under my supervision and that the same is true and correct to the best of my belief.</p> <p>MAY 20 1998</p> <p>Date Surveyed: EIDSON JLP</p> <p>Signature: EIDSON</p> <p>Professional Seal: EIDSON</p> <p>Q. Num. 98-0815</p> <p>Certified Professional: EIDSON, 3230 G. EIDSON, 12041 MACOM McDONALD, 12135</p>
--	--

PLEASE SEE ATTACHED C-102 FOR DETAILED DESCRIPTION OF PROPOSED C. T. BATES #4 160-ACRE S.P.U. CONSISTING OF SW/4 SE/4, SE/4 SW/4 SECTION 10 & NW/4 NE/4, NE/4 NW/4 SECTION 15, T-26-S, R-37-E

100% OF LEASEHOLD OWNED BY DOYLE HARTMAN

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 83810		³ Pool Name Rhodes (Y-7R) Gas	
⁴ Property Code		⁵ Property Name C. T. Bates			⁶ Well Number 4
⁷ OGRID No. 6473		⁸ Operator Name Doyle Hartman			⁹ Elevation 2991'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	15	26S	37E		660'	North	2310'	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 160	¹³ Joint or Infill N	¹⁴ Consolidation Code O*		¹⁵ Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 20px;"> </div> <div style="margin-bottom: 20px;"> </div> </div>	<p>16</p> <p>NSP-1292-A (1/11/91)</p> <p>3</p> <p>4</p> <p>2310'</p> <p>C. T. BATES LEASE</p> <p>PROPOSED WELL & 160-ACRE S.P.U. C.T. BATES NO. 4 660' FNL AND 2310' FEL (B) SECTION 15, T-26-S, R-37-E</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Don Mashburn</i> Signature Don Mashburn Printed Name Engineer Title 5/21/98 Date</p> <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of a duly qualified surveyor by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>1671 18 19 20 21</p> <p>1998</p> <p>Hobbs OCD</p> <p>Date of Survey</p> <p>Signature and Seal of Registered Surveyor</p> <p>RONALD SEIDSON NEW MEXICO 3239 SURVEYOR</p> <p>Certification No. 3239</p>
--	---	--

* 100% of leasehold owned by Doyle Hartman

DOYLE HARTMAN

Oil Operator

*Supply to Rhodes Unit - D.O.
Cove.*
Rhodes Unit

March 25, 1996

VIA FEDERAL EXPRESS

Ms. Leslyn M. Swierc, Senior Landman
Meridian Oil Production, Inc.
3300 North "A" Street
Building 6
Midland, TX 79705-5406

RE: Requested Accounting
Group 1 Unitized Production
Rhodes Unit
T-26-S, R-37-E
(5480 Acres)

Dear Ms. Swierc:

Reference is made to Meridian's letter to Mr. William LeMay of the New Mexico Oil Conservation Division dated February 20, 1996 (copy enclosed), and to that certain Rhodes Unit Agreement dated January 1, 1944, and "...approved by Oscar L. Chapman, Assistant Secretary of the Interior, on June 29, 1944..." (copy enclosed).

A review of the January 1, 1944 Rhodes Unit Agreement (enclosed as Attachment F with Meridian's February 20, 1996 letter to Mr. William LeMay) has revealed that 160 acres of the "...5480 acres of Group 1 unitized substances initially committed to [the] agreement..." consists of the following lands:

T-26-S, R-37-E
Lea County, New Mexico
Section 10: SW/4 SW/4
Section 15: S/2 NE/4; NW/4 NW/4
(160 Acres)

As to the definition of unitized substances, the January 1, 1944 Rhodes Unit Agreement defines unitized substances as follows:

UNITIZED
SUBSTANCES

4. All oil, gas, natural gasoline, and associated fluid hydrocarbons in lands subject to this agreement in any and all sands or horizons are unitized under the terms of this agreement and are hereinafter called "unitized substances"

DOYLE HARTMAN
OIL OPERATOR
RECEIVED

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The January 1, 1944 Rhodes Unit Agreement further categorizes unitized substances into three separate groups, with Group 1 unitized substance being defined as "... Gas (including casinghead gas) in any and all sands above a depth of 4000 feet..."

Concerning the allocation of Group 1 unitized substances, paragraph 11 of the Rhodes Unit Agreement reads as follows:

ALLOCATION
OF GROUP 1
UNITIZED
SUBSTANCES

11. Group 1 unitized substances, as and when produced, will be deemed to be produced equally on an acreage basis from all the lands subject to this agreement and will be allocated to the several tracts in the ratio that the total acreage of each bears to the total acreage subject to this agreement.

In regard to the foregoing, please find enclosed a two-page excerpt from that certain assignment from Sun Limited Partnerships to Doyle Hartman dated January 2, 1986, which assignment is recorded in Oil and Gas Book 394 of the Lea County, New Mexico records and, on pages 658 and 659, conveyed to Doyle Hartman 79.6875% BPO and 85.9375% APO of the oil, casinghead gas, and other liquid hydrocarbons produced from above 3500 feet as to:

T-26-S, R-37-E
Lea County, New Mexico
Section 10: SW/4 SW/4
Section 15: S/2 NE/4; NW/4 NW/4
(160 acres)

Although Meridian, as designated operator of Group 1 unitized substances, was assigned the duty of "...prospecting for, producing, storing, and disposing of Group 1 unitized substances...", and recognizing that the subject 160 acres consisting of SW/4 SW/4 Section 10 and S/2 NE/4, NW/4 NW/4 Section 15, T-26-S, R-37-E have been owned by Doyle Hartman, et.al. for more than 10 years, and is part of the "...5480 acres of Group 1 substances initially committed to [the] agreement..." that is entitled to a proportional allocation of applicable unitized Group 1 hydrocarbon substances, to date, we have received no allocation or accounting whatsoever from Meridian pertaining to our proportional share of applicable Group 1 unitized hydrocarbon substances that have been recovered from Group 1 unitized lands.

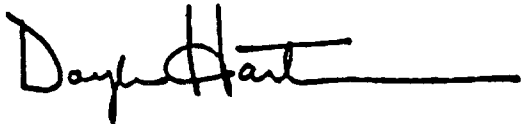
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Because of the considerable period of time that has already elapsed without Meridian having accounted for our proportional share of applicable recovered Group 1 unitized hydrocarbon substances, time is of the essence. We therefore ask that Meridian promptly inform us as to how, and in what time frame, it proposes to initiate and perform the necessary audit and accounting process that will be required to accurately quantify Doyle Hartman's and James A. Davidson's share of applicable recovered Group 1 hydrocarbon substances that is presently owing by virtue of the herein referenced ownership and the terms the January 1, 1944 Rhodes Unit Agreement.

Your immediate reply is respectfully requested.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in dark ink, appearing to read "Doyle Hartman", followed by a long horizontal line extending to the right.

Doyle Hartman

DH/mkc

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CC: Mr. William LeMay, Director
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DOYLE HARTMAN, Oil Operator:
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF GRUY PETROLEUM MANAGEMENT
FOR AN UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION, LEA COUNTY, NEW
MEXICO.

CASE NO. 12015

APPLICATION OF GRUY PETROLEUM MANAGEMENT
FOR AN UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION, LEA COUNTY, NEW
MEXICO.

CASE NO. 12017

ORDER NO. R-11476

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on September 3, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of November, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of these cases and their subject matter.

(2) In Case No. 12015 the applicant, Gruy Petroleum Management ("Gruy"), seeks an exception to Division Rule 104.D (3) to continuously and concurrently produce gas from the Rhodes-Yates-Seven Rivers Gas Pool from its: (i) existing Rhodes Federal Unit Well No. 43 (API No. 30-025-11949), to be recompleted from the Langlie Mattix-Seven Rivers-Queen-Grayburg Pool up-hole into the gas-bearing Yates/Seven Rivers interval at an unorthodox infill gas well location 2310 feet from the South line and 990 feet from the West line (Unit L) of Section 4, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico; (ii) existing Rhodes Federal Unit Well No. 41 (API No. 30-025-11952), located at a

standard gas well location 990 feet from the South line and 1650 feet from the West line (Unit N) of Section 4; and (iii) existing Rhodes Federal Unit Well No. 415 (API No. 30-025-34396), located at a standard gas well location 660 feet from the South and West lines (Unit M) of Section 4. All three wells are to be simultaneously dedicated to the existing standard 160-acre gas spacing and proration unit comprising the SW/4 of Section 4.

(3) In Case No. 12017 Gruy seeks an exception to Division Rule 104.D (3) to continuously and concurrently produce gas from the Rhodes-Yates-Seven Rivers Gas Pool from its: (i) recently drilled Rhodes State Com. Well No. 5 (API No. 30-025-34417), located at an unorthodox infill gas well location 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 16, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico; (ii) existing Rhodes State Com. Well No. 18 (API No. 30-025-24504), located at a standard gas well location 660 feet from the North line and 860 feet from the West line (Unit D) of Section 16; and (iii) existing Rhodes State Com. Well No. 19 (API No. 30-025-24505), located 2080 feet from the North line and 1980 feet from the West line (Unit F) of Section 16. All three wells are to be simultaneously dedicated to the existing standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 16.

(4) These two cases were consolidated for the purpose of presenting testimony and, since each application raises similar issues and both involve the same applicant, gas pool, and subject matter, one order should be entered.

(5) Doyle Hartman, Oil Operator ("Hartman"), an oil and gas operator with operating interests in the Rhodes-Yates-Seven Rivers Gas Pool in Sections 10 and 15, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico ("Bates lease") appeared at the hearing and presented evidence in opposition to Gruy's request for simultaneous dedication to allow second and third gas-producing wells on the two existing standard 160-acre gas spacing and proration units.

(6) Armstrong Energy Corporation, an operator in the pool, also appeared at the hearing in opposition to Gruy's requests but did not present evidence.

(7) The Rhodes-Yates-Seven Rivers Gas Pool was created on January 1, 1982 by Division Order No. R-6891 issued in Case No. 7416. The vertical limits include the Yates and Seven Rivers formations. The horizontal limits for this pool currently include the following described lands in Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Sections 4 and 5: All

Section 6: E/2

Section 8:	N/2, SE/4 SW/4, NE/4 SE/4, and S/2 SE/4
Section 9:	All
Section 10:	W/2
Section 14:	W/2
Sections 15 and 16:	All
Section 17:	NE/4, E/2 W/2, and E/2 SE/4
Section 21:	N/2 NE/4 and SE/4 NE/4
Section 22:	N/2, NE/4 SW/4, N/2 SE/4, and SE/4 SE/4
Section 23:	W/2 and SE/4
Section 26:	NE/4.

(8) The Rhodes-Yates-Seven Rivers Gas Pool is an "unprorated gas pool" not subject to Division Rule 605. At the time of the hearing this pool was subject to: (i) Division Rule 104.C (2) (b), which required standard 160-acre gas spacing and proration units with wells to be located no closer than 660 feet from outer boundary of a unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool; and (ii) Division Rule 104.D (3), which restricted the number of producing wells within a single gas spacing unit within a non-prorated pool to only one unless otherwise permitted by special pool rules or authorized after notice and hearing. Gas wells within this pool are allowed to produce at capacity.

(9) Prior to the creation of the Rhodes-Yates-Seven Rivers Gas Pool in 1982, both the Jalmat (Tansill-Yates-Seven Rivers) Gas Pool and the Rhodes (Yates-Seven Rivers Oil) Pool, having substantially the same vertical limits, horizontally overlapped the same acreage in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico [see Finding Paragraph No. (5) of Division Order No. R-6891].

(10) The Jalmat Gas Pool is a prorated gas pool governed under Rule 605 and the "*Special Rules and Regulation for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended.

(11) At the time of the hearing the Rhodes (Yates-Seven Rivers Oil) Pool was governed by Division Rule 104.C (1), which required standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of a 40-acre unit. The poolwide depth bracket allowable for the Rhodes (Yates-Seven Rivers Oil) Pool, set forth by Division Rule 505.A, is 80 barrels of oil per day. By Division Order No. R-520, issued in Case No. 673 and dated August 12, 1954, the limiting gas/oil ratio ("GOR") factor for this pool was established as 10,000 to one; therefore, the casinghead gas allowable is 800 MCF per day for each 40-acre oil proration unit. Its horizontal limits currently comprise the

following described acreage in Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 8:	N/2 SW/4, SW/4 SW/4, and NW/4 SE/4
Section 17:	W/2 W/2 and W/2 SE/4
Section 20:	N/2 and SE/4
Section 21:	SW/4 NE/4, W/2, and SE/4
Section 22:	W/2 SW/4, SE/4 SW/4, and SW/4 SE/4
Section 26:	W/2 and SE/4
Sections 27 and 28:	All
Sections 34 and 35:	All.

(12) From 1944 to 1982, El Paso Natural Gas Company operated the Rhodes (Gas) Storage Area within the defined limits of the Jalmat Gas Pool (see Ordering Paragraph No. 13 of Order No. R-520). The Rhodes (Gas) Storage Area encompassed the following described area in Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 4:	W/2 NW/4, SW/4, W/2 SE/4, and SE/4 SE/4
Section 5:	All
Section 6:	NE/4, NE/4 NW/4, N/2 SE/4, and SE/4 SE/4
Section 7:	NE/4 NE/4
Section 8:	N/2, N/2 S/2, SE/4 SW/4, and S/2 SE/4
Section 9:	All
Section 10:	W/2 NW/4, SE/4 NW/4, and S/2
Sections 15 and 16:	All
Section 17:	E/2 and E/2 NW/4
Section 20:	E/2
Sections 21 and 22:	All
Section 23:	SW/4 NW/4 and SW/4
Sections 26 through 28:	All
Section 29:	E/2 NE/4.

(13) Several policies and rules have addressed the number of wells allowed within a single 160-acre gas spacing and proration unit in the Rhodes-Yates-Seven Rivers Gas Pool:

(A) On July 22, 1988, the Division Director took steps to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in unprorated gas pools by issuing a memorandum stating that:

(i) "unprorated" was not the same as "unregulated";

(ii) since allowables are not issued in unprorated gas pools, the only method available to protect correlative rights is the control of well density and locations;

(iii) if added well density is absolutely necessary in a pool because of special geological situations or for drainage, then a special pool rules hearing can address those issues;

(iv) applications for additional wells on existing gas spacing and proration units will be approved only on the understanding that upon completion of the additional well the operator of the unit will elect which well will be allowed to produce and which will be abandoned; and

(v) applications to produce both wells will be approved only after hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced;

(B) By memorandum dated August 3, 1990, the Division clarified its policy disfavoring simultaneous dedication in unprorated gas pools. This August 3, 1990 Memorandum confirmed the July 22, 1988 Memorandum requiring a showing of compelling evidence for simultaneous dedication. The August 3, 1990 Memorandum further provided for the alternating operation of wells on units within unprorated gas pools (one well shut-in while the other produces);

(C) By Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, Division Rule 104.D (3) was promulgated as follows:

Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools; and

(D) On August 12, 1999, Rule 104.D (3) was changed to read:

Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice is to be given pursuant to Division Rule 1207.A (2).

(14) Prior to the entry of Division Order No. R-6891 and prior to the issuance of the July 22, 1988 Memorandum, there existed many non-standard gas spacing and proration units within this area and there were numerous 160-acre gas spacing and proration units within the Rhodes-Yates-Seven Rivers Gas Pool with more than one producing gas well.

(15) At the hearing the Division Examiner suggested that the Rhodes-Yates-Seven Rivers Gas Pool be abolished and the acreage placed in the Jalmat Gas Pool since all indications are that the pools are from the same common source of supply; further, this pool change would enable the operators to develop/deplete the remaining marginal reserves in the Rhodes-Yates-Seven Rivers Gas Pool using infill wells and non-standard gas spacing and proration units more freely.

(16) Both Gruy and Hartman opposed this idea.

(17) Any discussion or testimony related to amending the rules currently governing the Rhodes-Yates-Seven Rivers Gas Pool or amending pool boundaries is beyond the scope of these proceedings.

(18) Gruy acquired its interests in the Rhodes-Yates-Seven Rivers Gas Pool in May, 1997, and thereafter "Applications for Permits to Drill" ("APD") for additional wells on certain spacing and proration units in the pool were submitted to the Division and subsequently approved. Some of these proposed locations offset Hartman-operated properties.

(19) Gruy, despite the provisions of Division Rule 12, first learned of the Division Rule 104.D (3) by a letter from Hartman dated May 21, 1998, after which Gruy: (i) limited its drilling activities to locations offset only by Gruy-operated properties; (ii) advised Hartman that Gruy would not proceed with the wells offsetting his tracks until OCD approval had been received; and (iii) filed the subject applications seeking exceptions to Rule 104.D (3).

(20) Hartman does not own an interest in either of the spacing units that are the subject of these consolidated cases or in any 160-acre unit that immediately offsets either spacing unit. Furthermore, Hartman contends that neither of the two Gruy applications impairs his correlative rights.

(21) In support of Gruy's request for an exception to Rule 104.F, applicable at the time Case No. 12015 was filed, for the existing Rhodes Federal Unit Well No. 43 the applicant presented evidence showing:

(A) when Gruy acquired the SW/4 of Section 4, this acreage was dedicated to the Rhodes Federal Unit Well No. 41 located at a standard gas well location in Unit "N" of Section 4;

(B) since acquiring this interest, Gruy has drilled its Rhodes Federal Unit Well No. 415 at a standard gas well location in Unit "M" of Section 4, but this well remains shut-in pending the outcome of these proceedings;

(C) the Rhodes Federal Unit Well No. 43 was originally drilled in 1958 by Jal Oil Company, Inc. at a standard oil well location within the Langlie Mattix-Seven Rivers-Queen-Grayburg Pool;

(D) all acreage directly and diagonally offsetting the Rhodes Federal Unit Well No. 43 is operated by Gruy and, in accordance with the notification requirements applicable at the time this application was filed, there are no other parties adversely affected by this unorthodox gas well location; and

(E) the recompletion of uneconomical oil wells in the deeper Langlie Mattix-Seven Rivers-Queen-Grayburg Pool into the shallower Rhodes-Yates-Seven Rivers Gas Pool provides Gruy with the best opportunity to produce additional reserves from this pool thereby preventing waste, while protecting correlative rights, by producing gas that would otherwise not be drained by the existing wellbores.

(22) In support of Gruy's request for an exception to Rule 104.F, applicable at the time Case No. 12017 was filed, for the existing Rhodes State Com. Well No. 18, the applicant presented evidence showing:

(A) when Gruy acquired the NW/4 of Section 16, this acreage was simultaneously dedicated to the: (i) Rhodes State Com. Well No. 18 located at a standard gas well location in Unit "D" of Section 16; and (ii) Rhodes State Com. Well No. 19 located in Unit "F" of Section 16;

(B) the simultaneous dedication of these two wells was approved when the Rhodes-Yates-Seven Rivers-Gas Pool was created by Order No. R-6891;

(C) since acquiring this interest, Gruy has drilled its Rhodes State Com. Well No. 5; this well was permitted in June, 1998, and erroneously drilled at a location 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 16, but has remained shut-in since that time;

(D) based on volumetric calculations and a drainage map of the Rhodes area, the Rhodes State Com. Well No. 5 is necessary to effectively produce reserves that will otherwise not be recovered from the other two wells in the NW/4 of Section 16; and

(E) all acreage directly and diagonally offsetting the Rhodes State Com. Well No. 5 is operated by Gruy and, in accordance with the notification requirements applicable at the time this application was filed, there are no other parties adversely affected by this unorthodox gas well location.

(23) The geological evidence presented by Gruy indicates areas, both vertically and horizontally, within the Rhodes-Yates-Seven Rivers Gas Pool that are undrained by wells currently capable of producing from the reservoir. Both the Rhodes Federal Unit Well No. 43 and 415 and Rhodes State Com. Well No. 5 are in portions of the reservoir that had not been adequately drained by the existing wells within the two respective 160-acre gas spacing and proration units.

(24) The simultaneous dedication of the Rhodes Federal Unit Wells No. 41, 43, and 415 to the standard 160-acre unit comprising the SW/4 of Section 4 and the Rhodes State Com. Wells No. 5, 18, and 19 to the standard 160-acre unit comprising the NW/4 of Section 16, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, will not impair the correlative rights of any operator in the pool and is necessary to afford Gruy the opportunity to produce its fair share of the reserves under these two units.

(25) Approval of both applications of Gruy for the two subject unorthodox gas well locations and the simultaneous dedication of the two subject 160-acre gas spacing and proration units will serve to avoid the abandonment of any of the existing valuable wellbores capable of producing from this reservoir thereby preventing waste.

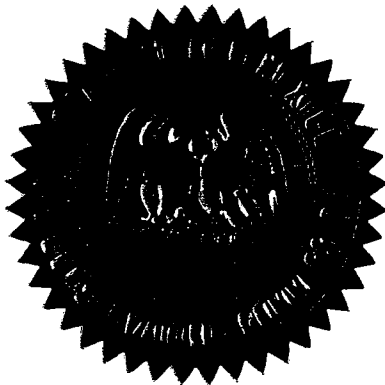
IT IS THEREFORE ORDERED THAT:

(1) In Case No. 12015 the applicant, Gruy Petroleum Management ("Gruy"), is hereby granted an exception to Division Rule 104.D (3) for its existing standard 160-acre gas spacing and proration unit within the Rhodes-Yates-Seven Rivers Gas Pool comprising the SW/4 of Section 4, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, and is authorized to continuously and concurrently produce Rhodes-Yates-Seven Rivers Gas Pool production from its: (i) existing Rhodes Federal Unit Well No. 43 (API No. 30-025-11949), located at an unorthodox infill gas well location 2310 feet from the South line and 990 feet from the West line (Unit L) of Section 4; (ii) existing Rhodes Federal Unit Well No. 41 (API No. 30-025-11952), located at a standard gas well location 990 feet from the South line and 1650 feet from the West line (Unit N) of Section 4; and (iii) existing Rhodes Federal Unit Well No. 415 (API No. 30-025-34396), located at a standard gas well location 660 feet from the South and West lines (Unit M) of Section 4.

(2) In Case No. 12017 Gruy is hereby granted an exception to Division Rule 104.D (3) for its existing standard 160-acre gas spacing and proration unit within the Rhodes-Yates-Seven Rivers Gas Pool comprising the NW/4 of Section 16, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, and is authorized to continuously and concurrently produce Rhodes-Yates-Seven Rivers Gas Pool production from its: (i) existing Rhodes State Com. Well No. 5 (API No. 30-025-34417), located at an unorthodox infill gas well location 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 16; (ii) existing Rhodes State Com. Well No. 18 (API No. 30-025-24504), located at a standard gas well location 660 feet from the North line and 860 feet from the West line (Unit D) of Section 16; and (iii) existing Rhodes State Com. Well No. 19 (API No. 30-025-24505), located 2080 feet from the North line and 1980 feet from the West line (Unit F) of Section 16.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director