**Gruy Petroleum Management Co.**

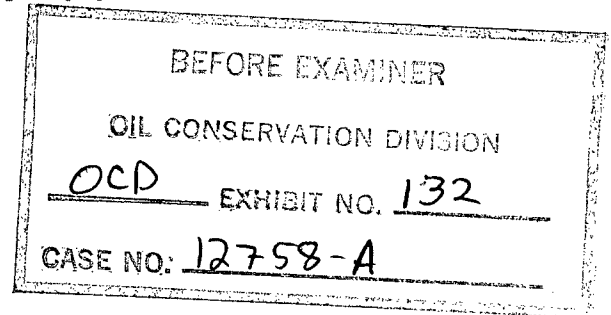
600 East Las Colinas Blvd. • Suite 1100 • Irving, TX 75039 • (469) 420-2728 • Fax (469) 420-2710

Mailing Address: P.O. Box 140908 • Irving, TX 75014-0908

A Subsidiary of Magnum Hunter Resources, Inc. - An American Stock Exchange Company - "MHR"

April 26, 2002

Oil Conservation Division
1625 French Drive
Hobbs, New Mexico 88240
Attn: Mr. Chris Williams



Re: Case No. 12758
Mallon Non Compliance Wells

Mr. Williams:


We have previously corresponded with you concerning the show cause hearing (November 1, 2001) for inactive wells that were not in compliance with regulatory guidelines. Gruy's letter, dated 10-29-2001, contained a schedule of plans to bring the subject wells into compliance by June 30, 2002 (Gruy purchased the wells from Mallon in 2001). Gruy currently has 2 work-over rigs on the subject wells, but will not be able to resolve all of the corrective actions by the June date. Work is continuing to determine well problems and preparing recommendations for subsequent work. Listed below are the current activities and proposed actions on the subject wells.

1. Gallagher State #1 (I-3-17S-34E) API # 30-025-21930. Geological review of up-hole potential is being evaluated. If no productive zones evident, Sundry notice will be submitted for P&A.
2. Mobil State #1 (G-3-17S-34E) API # 30-025-22029. Geological review of up-hole potential is being studied. If no productive zones found, Sundry notice will be submitted to P&A.
3. Vierson #2 (O-4-17S-37E) API # 30-025-29445. Geology is currently reviewing for up-hole potential. If none exists, Sundry to P&A well will be prepared and filed timely.
4. Waldron #2 (3-3-17S-37E) API # 30-025-29885. Geological review is being done for up-hole potential. If none exists, Sundry notice to P&A will be filed.
5. Pennzoil State #2 (B-18-16S-37E) API # 30-025-26749. MIT was run and passed. Sundry notice to TA well was filed with the Hobbs District office.

6. Pennzoil State #3 (C-18-16S-37E) API # 30-025-27323. Proposal to pull casing and put well back on production or convert to injections for water flood purposes being prepared.
7. Pennzoil State #4 (2-18-16S-37E) API # 30-025-27498. Worked on well 3-02 to pull tubing (parted at 5605'). Recommendation being prepared to set CIBP above Strawn zone, repair casing and recompleat the well in the upper/lower Wolfcamp.
8. State C #3 (O-17-16S-37E) API # 30-025-24936. Well has CIBP above Strawn. Recommendation being prepared to test casing and repair as necessary to return +/- 33 BOPD, 120 MCFPD well to production.
9. State C #4 (G-20-16S-17E) API # 30-025-27433. Well has CIBP set over cut tubing. Recommendation to run inspection log to determine casing damage and drill out CIBP, recover fish and return +/- 30 BOPD, 120 MCFPD well to production.
10. B.E. Shipp Estate #1 (G-4-17S-37E) API # 30-025-29485. Well has possible parted rods. Recommendation to repair rods and test casing. Return well to +/- 8 BOPD, 10 MCFPD production.
11. Byers #1 (I-3-17S-37E) API # 30-025-29980. Ran in hole with wire line gauge ring and stuck at 6606'. Recovered tools. Recommendation being prepared to evaluate casing and repair as necessary to return +/- 33 BOPD, 75 MCFPD well to production.
12. Simmons Estate #1 (N-3-17S-37E) API # 30-025-30177. Currently fishing rods and tubing. Recommendations being submitted to run inspection log and repair casing. Return 30-300 BOPD, 30-1000 MCFPD well to production. After previous casing squeeze, well went back to over 300 BOPD.
13. Price Family Trust #1 (E-1-17S-37E) API # 30-025-30351. Currently fishing rods and tubing from well. Will evaluate when junk is recovered. Well was making +/- 30 BOPD when went off production.
14. Price Family Trust #2 (N-1-17S-37E) API # 30-025-30497. CIBP set over Strawn perms. Possible bad casing. Recommended running inspection log and repair as necessary to return +/- 13 BOPD well to production.
15. Mallon 34 Federal #9 (G-34-19S-34E) API # 30-02-32784. MIT passed and submitted Sundry Notice to TA sent to the District office.

Gruy respectfully request that we be granted additional time to bring these wells in compliance, hopefully returning the wells capable of production back to active status. We feel that we can address the issues and complete the necessary work in a 6-month time frame (completion by October 31, 2002). If you need further information or have any questions, please contact me at 469-420-2728. Your consideration is greatly appreciated.

Sincerely,



Don Aldridge
Sr. Regulatory Analyst

Cc: Zeno Farris - Irving
Randy Ray - Midland
Reggie Reston - Hobbs