

# Lynx Petroleum Consultants, Inc.

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February 28, 2005

*Case 13451*

Mr. Mark E. Fesmire, P.E.  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

RE: Division Administrative Order SWD-966

Dear Mr. Fesmire:

We are in receipt of your letter of February 22 by which we were informed that the Division is considering revoking the above referenced permit and setting a hearing on the matter for March 17<sup>th</sup>.

We are writing to ask that you please reconsider this course of action. Our permit was only issued on January 20, 2005 and although we have not formally commenced any well work, we are far along in the planning stage and the delay has the potential to be both disruptive and expensive to our operations.

No issues were raised in your February 22<sup>nd</sup> letter that could not have been addressed during the review of our original application. Our application requested approval to inject produced water into the Yates-Seven Rivers formation and there now appears to be some reservation about the plugging of one of the offsetting wells. The plug and abandonment records for the three wells in the area of review, however, are in the public record and were fully disclosed in our paperwork including wellbore schematics. The proximity of the injection interval to the Salado and Capitan Reef is the other "concern" noted in your letter, but the location of these formations has certainly not changed and if this was a problem, it should also have been addressed during the review of our original application. We do not believe that our proposed injection interval is in any way precedent setting as there are many wells in Southeast New Mexico that both overlie the Reef and inject water into the Yates-Seven Rivers. In fact, our project is bracketed both to the east and west by three such wells and the interval that we requested for our operation was based upon our review of these existing projects.

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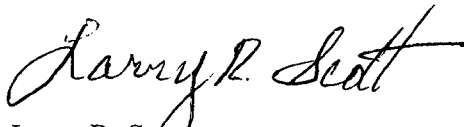
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Mr. Mark E. Fesmire, P.E.  
February 28, 2005  
Page 2

I apologize in advance if the tone of this letter seems too strident, but I am sure that you can understand my frustration with a regulatory environment that today seems very inconsistent. If the decision is made to move ahead with a hearing, then we are requesting that the date be continued for 60 days to allow us time to hire an attorney, and prepare our exhibits and testimony. We will, of course, comply immediately with the cease operations order contained in your letter. Thanks in advance for your consideration.

Sincerely,

LYNX PETROLEUM CONSULTANTS, INC.

  
Larry R. Scott