



Gruy Petroleum Management Co.

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September 19, 2003

New Mexico Oil Conservation Division
1301 W. Grand Avenue
Artesia, NM 88210
Attn: Mr. Bryan Arrant

Re: Mewbourne Oil Company
Fern 8 # 2 & Fern 8 # 3
NE/4 Section 8 18S-31E
Eddy County, New Mexico

Dear Mr. Arrant:

Please reference the enclosed September 2, 2003 pre-meeting letter from Mr. Michael H. Feldewert of Holland & Hart to Mr. Michael E. Stogner, Chief Hearing Officer and Examiner at the OCD.

Mr. Stogner requested a meeting between the attorneys of Mewbourne Oil Company and Gruy Petroleum Management Co. to discuss our application for a hearing, requiring Mewbourne to show cause why its Fern 8 Federal wells No. 2 and 3 are not being produced in compliance with the Division allowable limitations for the Shugart Strawn Pool. Mr. Stogner stated in the meeting that representatives of Gruy and Mewbourne should meet with the District Supervisor at the OCD offices and implement a plan to make up the Mewbourne overproduction. Mr. Stogner also agreed with Gruy's interpretation of Division Rules regarding monthly tolerance and oil-gas-ratio limitations, in that prior months' underproduction is not banked and made up by future overproduction.

Gruy is requesting to schedule a meeting with you at your earliest convenience at the Artesia OCD District offices to discuss Mewbourne's overproduction, their method of makeup, and the verification of that makeup. Please provide tentative dates the District Supervisor will be available, and we will coordinate with Mewbourne to schedule the meeting.

If have any questions, or require additional information concerning this matter, please feel free to contact the undersigned at 972-443-6489.

Sincerely,

Zeno Farris
Manager, Operations Administration

cc Mike Stogner Santa Fe NMOCD
 Mewbourne Oil Company