

GALLEGOS LAW FIRM

A Professional Corporation

460 St. Michael's Drive
Building 300
Santa Fe, New Mexico 87505
Telephone No. 505-983-6686
Telefax No. 505-986-1367
Telefax No. 505-986-0741

August 26, 1998
(Our File No. 93-1.62)

MICHAEL J. CONDON

VIA TELECOPY

William F. Carr
Paul R. Owen
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 875044-2208

Re: Gruy Applications; NMOCD Case Nos. 12015 and 12017

Dear Bill and Paul:

I am writing with respect to the Motion to Quash in Part the subpoenas we had issued in these cases. I am hopeful that we can resolve these issues without the need for a short discovery hearing before the Division prior to the hearing in this matter on September 3, 1998.

There are two categories of documents which we would ask that you produce. First, you have objected to producing well files for the Rhodes Federal Unit Well No. 159, the Rhodes Federal Unit Well No. 103, the Gregory "B" Well No. 2, and the Rhodes State Corn Well No. 6. Your stated objection to these requests is that the documents are irrelevant. To the contrary, the evidence that will develop in this case clearly shows that Gruy is involved in a pool-wide attempt to impose an infill drilling program, consistently attempting to drill, operate and get approval for two and sometimes three wells per 160-acre proration unit. This, as you know, is contrary to NMOCD rules for the Rhodes Gas Pool. See letter to all operators from William J. LeMay dated August 3, 1990, as well as the memo dated July 27, 1988, both of which confirm the general rule that only one well will be allowed per 160-acre proration unit in the Rhodes Gas Pool.

It is clear that Gruy is embarked on a drilling program which consistently seeks additional wells on 160-acre proration units in the pool. In fact, Hartman's initial notice of Gruy's program involved the filings by Gruy in March, 1998 on the Nos. 103 and 159. Copies are attached. These proposed wells, in Sections 10 and 15, T-26-S and R-37-E, Lea County, New Mexico, directly offset acreage owned by Hartman. This acreage has already been dedicated to the Gregory "B" Federal No. 2 well, as recognized in the letter from Zeno Farris to Joe Janisa dated April 17, 1988, copy attached.

William F. Carr
Paul R. Owen
August 26, 1998
Page 2

Gruy has recently given Hartman notice that it intends to proceed with its application for drilling permits for these wells. See letter dated July 17, 1998 from Zeno Farris to Mr. Hartman, copy attached. Thus, the issue of the future development of this acreage is clearly related to the drilling program which Gruy is attempting to implement in the Rhodes Gas Pool. An application by Gruy on these wells, which will be opposed by Hartman, is a certainty. The applications in your cases Nos. 12015 and 12017 are merely the first steps in which Gruy plans as a larger program. The well files for the additional wells are clearly relevant to the program, which will be at issue at the hearing on September 3, and may provide other relevant information related to the issues which will necessarily arise regarding Gruy's ability or inability to present compelling evidence to substantiate additional operating wells on proration units for the Rhodes Gas Pool. There is not reason to delay production of those well files.

Second, we have requested that Gruy produce all documents which describe how the subject wells were staked. You have contended that all relevant documents are available in the public records. This is not true. In each well file, there should be documents that pertain to invoices to Gruy from Merryman Construction Co., and instructions from Gruy to Merryman, which would identify where Gruy asked that the well locations be placed and constructed. Documents related to negotiations with surface owners for surface damages would also describe the well locations Gruy intended to pursue.

This information is particularly relevant with respect to the Rhodes State No. 5 well at issue in your application in Case No. 12017. Gruy contends in that application that the well was erroneously built at an unorthodox location. However, documents which have already been produced in response to the subpoena indicate that six days prior to the spudding of the Rhodes State No. 5 well, a fax memo was sent confirming approval for the orthodox location. Prior to the time Gruy received approval for an orthodox location for the Rhodes State Com No. 5, Gruy had staked an unorthodox location for the No. 5 well. See form attached. Frankly, the evidence indicates that Gruy intentionally placed the No. 5 well at an unorthodox location with full knowledge that the only approval that had been given was for an orthodox location.

These are obviously issues which we intend to raise at the hearing on September 3. We are entitled to all documents in Gruy's possession which relate to the manner and method by which Gruy attempted to stake wells for which it seeks approval for unorthodox locations. This is particularly critical with respect to the Rhodes State Com No. 5 well.

William F. Carr
Paul R. Owen
August 26, 1998
Page 3

Please let me know if you will reconsider your Motion and produce the documents referenced in this letter. If not, by copy of this letter, I would request that the Division set the matter for a short discovery hearing at the Division's earliest convenience.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By



MICHAEL J. CONDON

MJC:sa

Enclosures

fxc: Doyle Hartman
Rand Carroll (w/enclosures)
ioc: J. E. Gallegos

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

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



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,

A handwritten signature in cursive script that reads "Zeno Farris".

Zeno Farris
Manager, Operations Administration

DOYLE HARTMAN
OIL OPERATOR
RECEIVED

JUL 21 1998

DISTRICT I
P.O. Box 1900, Hobbs, NM 88241-1900

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

DISTRICT II
P.O. Drawer 88, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2086, SANTA FE, N.M. 87504-2086

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
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2984

Surface Location

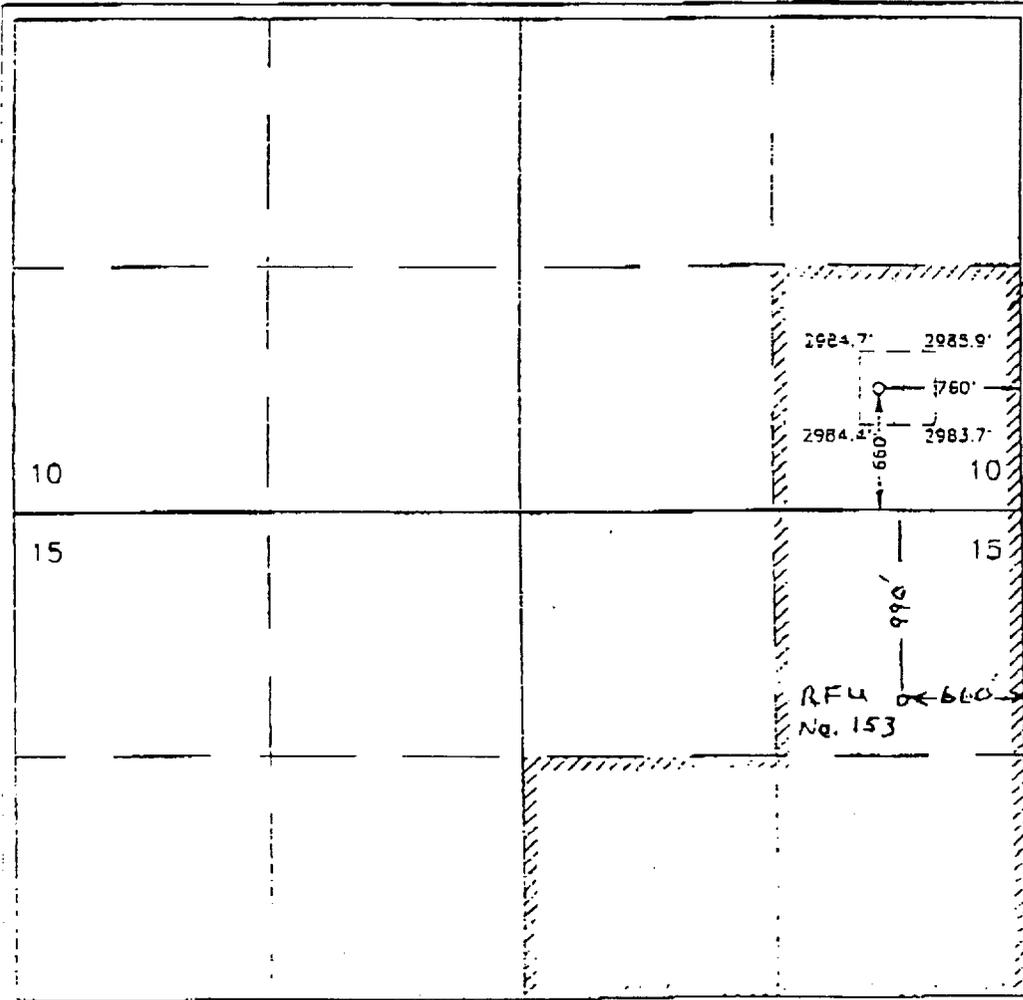
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	25 S	37 E		660	SOUTH	760	EAST	LEA

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 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

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]
Signature of State of Professional Surveyor

NEW MEXICO
Professional Surveyor
7-07-98

65-1-0
Certificate No.

DISTRICT I
 O. Box 1960, Hobbs, NM 88241-1960

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

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

DISTRICT IV
 O. BOX 2006, SANTA FE, N.M. 87504-2088

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form O-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 30-025-34395	Pool Code 83810	Pool Name RHODES-YATES-TRIEVERS
Property Code 22321	Property Name RFU	Well Number 159
OCRID No. -162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2981

Surface Location

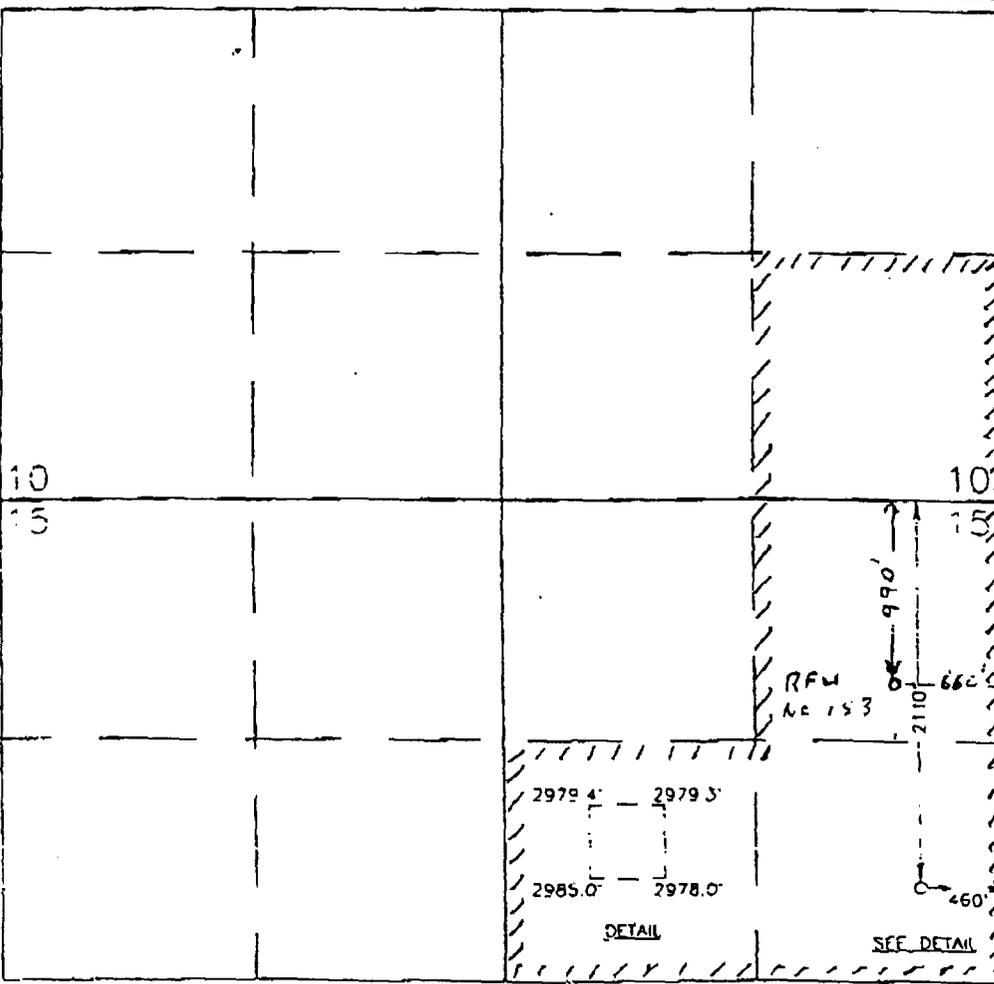
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	15	26 S	37 E		2110	NORTH	460	EAST	LEA

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.

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.

MARCH 26, 1998
 Date Surveyed

DMCC

Signature & Seal of Professional Surveyor
Ronald A. Edson 4-21-98
 88-1-0239

Certificate No. JOHN W. WEST 575
 RONALD A. EDSON 3239
 RONALD EDSON 12641

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form 4
Revised February 10
Submit to Appropriate District
State Lease - 4
Fee Lease - 3

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 RE

WELL LOCATION AND ACREAGE DEDICATION PLAT

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

Surface Location

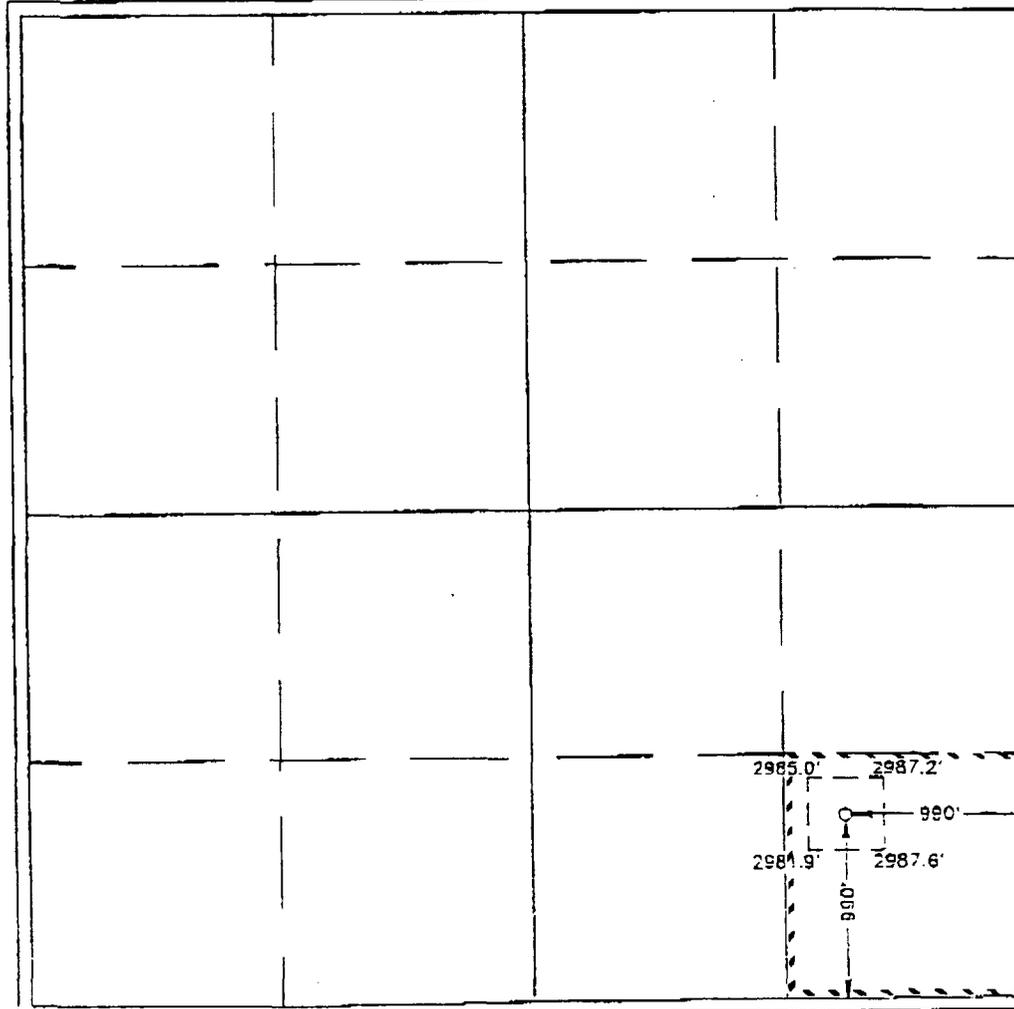
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Co
P	10	26 S	37 E		990	SOUTH	990	EAST	

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	Co

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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

Joe T. Janica
Signature

Joe T. Janica
Printed Name

Agent
Title

04/07/98
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location on this plat was plotted from field 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

John W. West
Professional Surveyor
98-11-0498

Certificate No. JOHN W. WEST
Professional Surveyor

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1A. 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
 2110' FNL & 460' FEL SEC. 15 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 drilg. unit line, if any)
 990'

16. NO. OF ACRES IN LEASE
 320

17. NO. OF ACRES ASSIGNED TO THIS WELL
 120

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

19. PROPOSED DEPTH
 3380'

20. ROTARY OR CABLE TOOLS
 ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 LEA COUNTY CONTROLLED WATER BASIN GR. 2981

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

5. LEASE DESIGNATION AND SERIAL #
 NM-90796

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARMOR LEASE NAME WELL NO
 150

9. AN WELLING
 RHODES FEDERAL UNIT #

10. FIELD AND POOL OR WILDCAT
 RHODES-YATES-7 RIVERS

11. SEC., T., R., M., OR BLE. AND SURVEY OR AREA
 SEC. 15 T26S-R37E

12. COUNTY OR PARISH
 LEA CO.

13. STATE
 NEW MEXI

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'	1000 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

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 preventer program, if any.

24. SIGNED Zeno Farris 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 enable the applicant to conduct operations thereunder.
 CONDITIONS OF APPROVAL IF ANY:

(DRIG. SGD.) ARMANDO A. LOPEZ

APPROVED BY Acting DATE MAY 04 1998

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

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

DISTRICT IV
P.O. BOX 2080, SANTA FE, N.M. 87504-2080

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

AMENDED REPC

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	83810	RHODES-YATES-7RIVERS
Property Code	Property Name	Well Number
22321	RFU	159
OGRID No.	Operator Name	Elevation
162683	GRUY PETROLEUM MANAGEMENT CO.	2981

Surface Location

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

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	Coun

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
120			

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 the the informatic contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature</p> <p>Joe T. Janica Printed Name</p> <p>Agent Title</p> <p>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 actual surveys made by me or under supervision, and that the same is true correct to the best of my belief.</p> <p>MARCH 26, 1998 Date Surveyed DM</p> <p><i>Ronald W. Carson</i> Signature & Seal of Professional Surveyor</p> <p>98-11-0498 Professional Surveyor</p> <p>Copyright No. JOHN W. CARSON RONALD W. CARSON PROFESSIONAL SURVEYOR</p>

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 12, 1984
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer 89, Artesia, NM 88211-0719

DISTRICT III
1000 Elv Brasas Rd., Artesia, 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 30-025-34417	Pool Code 83810	Pool Name RHODES YATES-TRIVERS GAS
Property Code 22874	Property Name RHODES STATE COM.	Well Number 5
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 2978

Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
C	16	26 S	37 E		330	NORTH	2310	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	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

	<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><i>Zeno Farris</i> Signature</p> <p>Zeno Farris Printed Name</p> <p>Mgr., Operations Admin. Title</p> <p>June 26, 1998 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>MAY 7, 1998 Date Surveyed</p> <p><i>Ronald Eidson</i> Signature</p> <p>Professional Surveyor NEW MEXICO 5-11-98 G.W.O. Num. 98-1520700</p> <p>Certificate No. RONALD EIDSON 3239 GARY G EIDSON 12841 SANDRA McDONALD 12163</p>