

DOYLE HARTMAN

Oil Operator

500 NORTH MAIN
P.O. BOX 10426
MIDLAND, TEXAS 79702

(915) 684-4011
(915) 682-7616 FAX

Via FedEx

June 29, 1998

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

*Call 12015
12017*

Attn: Richard R. Frazier, President & Chief Operating Officer
Bill Mann, Operations Manager
Greg Jessup, Vice President Land

Re: C.M. Farnsworth "C" No. 1
(Rhodes Federal Unit No. 41)
Section 4, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Gentlemen:

Reference is made to your newly drilled Rhodes Federal Unit No. 415 well which is a replacement Rhodes gas well situated on the currently existing 160-acre Rhodes Gas SPU consisting of the SW/4 Section 4, T-26-S, R-37-E.

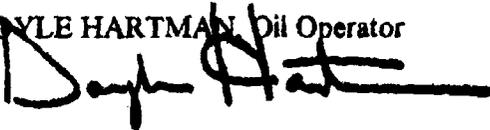
As you are aware, the Rhodes Gas Pool is a non-prorated gas pool with NMOC regulations providing for only one active gas well per 160-acre SPU. Moreover, as in part documented in that certain letter agreement dated May 18, 1960, between El Paso and R. Olsen, the ownership of the oil and gas rights, as to the SE/4SW/4 Section 4, was previously split between El Paso Natural Gas Company and R. Olsen and, to this date, the split ownership has not been recombined. Consequently, before you permanently abandon the now excess C.M. Farnsworth "C" No. 1 wellbore situated in N-4-26S-37E, we respectfully request that Gruy, as successor owner of the C.M. Farnsworth "C" gas rights, first give timely notice, to the owner and operator of the oil rights for the SE/4SW/4

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Section 4, T-26-S, R-37-E, of any permanent abandonment of the excess C.M. Farnsworth "C" No. 1 wellbore.

Very truly yours,

DOYLE HARTMAN Oil Operator



Doyle Hartman

enclosures

rca
wpdocs\corresp.dh\gruy.2

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

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
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

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

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



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.

DISTRICT I
P.O. Box 1040, Hobbs, NM 88241-1040

DISTRICT II
P.O. Drawer 20, Artesia, NM 88211-0710

DISTRICT III
1080 N. Brazos Rd., Artesia, NM 87410

DISTRICT IV
P.O. Box 2044, Santa Fe, NM 87504-2044

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 30-025-34396 | Pool Code 83810 | Pool Name RHODES-YATES-7 RIVERS |
| Property Code 22321 | Property Name RFU | Well Number 415 |
| OGED 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 4 | 26 S | 37 E | | 660 | SOUTH | 660 | WEST | 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

| | | |
|--|--|--|
| | <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</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 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 Date Surveyed</p> <p>JLP Signature</p> <p>Professional Surveyor NEW MEXICO 3-31-98 P.O. Num. 98-150497</p> <p>Contract No. RONALD S. EDSON, 3239 GARY G. EDSON, 12041 PROFESSIONAL SURVEYOR McDONALD, 12168</p> | |

**ADMINISTRATIVE
ORDER NSP 1292**

NEW MEXICO OIL AND GAS WELL LOCATION AND ACREAGE DEDICATION PLAT

Supervisor 6-12H
Effective 1-1-63

All distances must be from the outer boundaries of the Section.

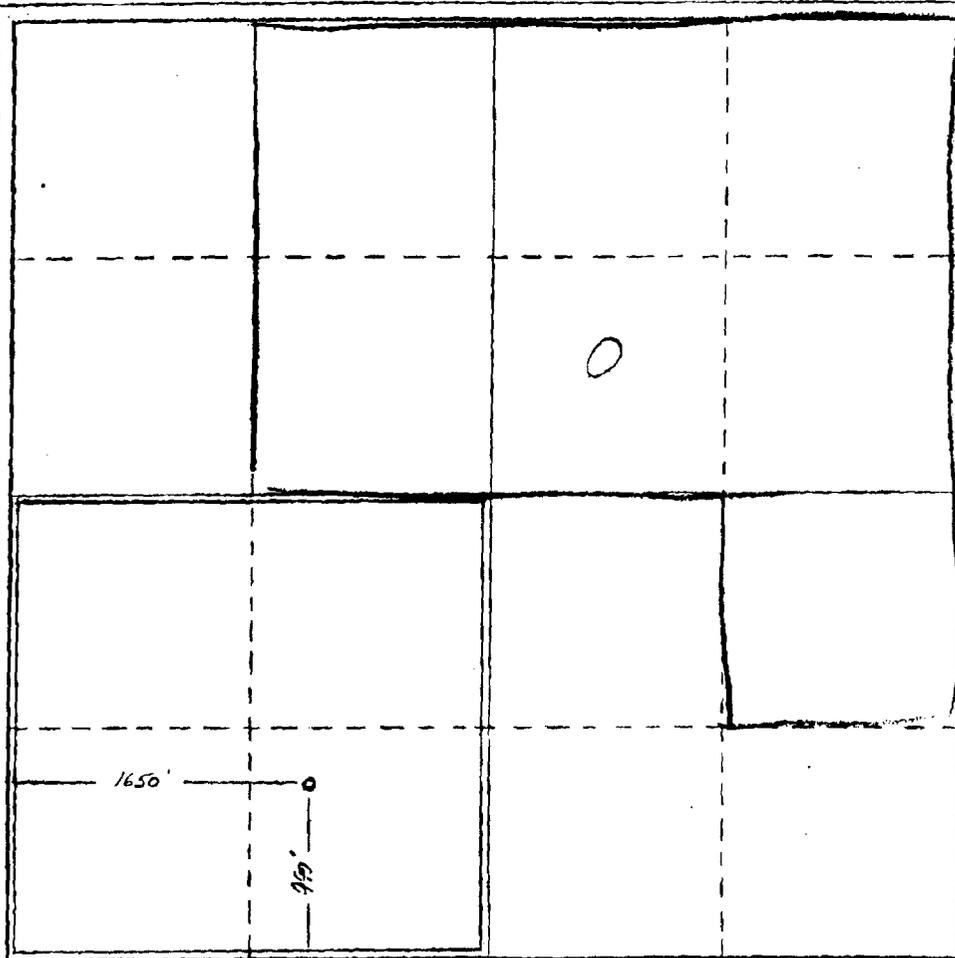
| | | | | | |
|---|--|-------------------------|--|---------------------------------------|----------------------|
| Operator EL PASO NATURAL GAS COMPANY | | | Lease Farnsworth "C" | | Well No. 1 |
| Unit Letter N | Section 4 | Township 26 S | Range 37 E | County LEA | |
| Actual Footage Location of Well: 990 feet from the South line and 1650 feet from the West line | | | | | |
| Ground Level Elev. 2983.0 | Producing Formation YATES - 7 RIVERS | | Pool RHODES YATES - 7 RIVERS | Dedicated Acreage 160 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

John S. Delk
Name

JOHN S. DELK

Position

SUPERVISOR PROD. SVCS.

Company

EL PASO NATURAL GAS CO.

Date

MARCH 2, 1982

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 knowledge and belief.

Date Surveyed

Not Available

Registered Professional Engineer and/or Land Surveyor

Certificate No.

