

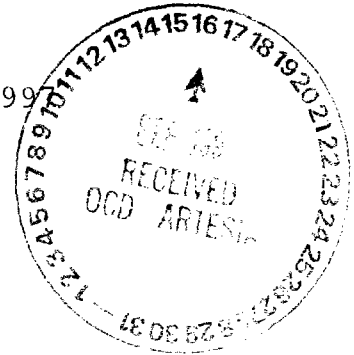


**HARLOW
CORPORATION**

Petroleum Exploration • Drilling • Production

*TO
Rued*

September 12, 1997



Mr. Tim W. Gum
Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
811 S. First St.
Artesia, New Mexico 88210

Re: Willow Pipeline Company
Chaves County Wells

Dear Mr. Gum:

I received your letter of August 26, 1997 regarding the captioned wells.

You state the wells are not in compliance with Division rules and therefore you have not approved a form which reflects the change of operator on these wells.

Please be advised:

1) By Assignment and Bill of Sale, effective March 1, 1996, The Harlow Corporation sold all right, title and interest in and to all of the wells listed on "Exhibit A" attached hereto, which included six shut-in wells, the rest of the wells were capable of producing or were producing. You listed 15 wells as being in noncompliance.

A) Under the terms of our Oil and Gas Lease, we, as lessee, had the right to maintain wells and leasehold when shutdown by tendering a shut-in royalty which we did, thru July 1996, for O'Brien Fee 18 #2 & 3, and O'Brien Fee 19 #2, 3 & 8. Refer to shut-in royalty receipts enclosed as "Exhibit B."

B) The O'Brien Deming 6 #1 & 2 and O'Brien Fee 24 #1 & 2 were producing at date of transfer, 3/1/96, and presumably capable of producing at present.

C) This brings us to the six shut-in wells listed on the "Exhibit A". Willow Pipeline wanted those wells, then and now, for the purpose of re-equipping as producers or as water or CO² injectors or water disposal wells.

September 12, 1997

reasonable with regard to the six wells shut-in on "Exhibit A" which were the only wells that were ever out of compliance. The denial of Form C-104 changing operations to Willow is contrary to the Commission's interest. Acceptance puts Willow in charge of the wells with the Commission and with its bond in place. That should be the Commission's objective. This would also facilitate Willow's being able to file for water injection for a water flood project it wishes to undertake to improve production from these properties. The opportunity to improve production by water injection was indicated by the production response of Willow wells adjacent to offsetting water injection activities. Again, this effort is being postponed to the detriment of the equity owner and the state because the change of operator Form C-104 has been withheld.

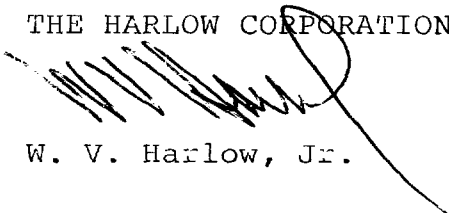
7) The legislature is clear, it wishes to facilitate and support stripper operations so long as there is no environmental impact. This seems at odds to the present situation. It appears the Commission's stance is regulation for regulation sake and may represent malfeasance.

8) The Harlow Corporation is not owner of the properties in question nor does it, or its surety, have the right to perform any activity on these properties. The denial of Willow's Form C-104 application is contrary to the Commission's interests, particularly, since Willow and these properties are bonded by the Commission for Willow's operations.

9) Any activity requested or required in your letter of August 26, 1997 should be addressed to Willow Pipeline Company and I am sure will be taken care of upon approval of the C-104 forms filed by Willow. I believe this letter fulfills your requests.

Sincerely,

THE HARLOW CORPORATION



W. V. Harlow, Jr.

WVH:ab

Encls.

cc: Gary Millspaugh
Willow Pipeline Co.
P. O. Box 131
Weatherford, OK 73096

Certified #P 551 223 090