



Petroleum Exploration • Drilling • Production

November 28, 1995

Ray Smith
Deputy Oil & Gas Inspector
Energy, Minerals and Natural Resources Department
811 S. First St.
Artesia, New Mexico 88210-2834

Dear Mr. Smith:

I received your letter of November 21, 1995 with regard to answering a letter dated October 5, 1995. The subject is our idle wells in the Twin Lakes Area, Chaves County, New Mexico. We have previously informed the commission that it was our belief that the San Andres was, and is, a candidate for secondary/tertiary recovery operations inasmuch as primary recoveries are no more than 10-20% of the oil in place.

As you are aware a number of secondary/tertiary operations have been attempted in the San Andres in SE New Mexico, some of which have been successful but a large number have not been successful economically. This is particularly true when the product itself is sour low gravity crude which at this point is being penalized, at least in our case, a minimum of \$2.40/bbl.

Marginal economics at this juncture have not permitted expenditures to pursue any such operations to date, but it is still our aim to participate in procedure(s) that would increase and prolong the production from this field and recover more of the proven oil in place. We feel that idled wells and boreholes would be an asset at that point in time and without these boreholes the economics may never be right for recovery of this proven oil reserve.

We hope that the State of New Mexico would understand that these holes represent an asset to the operator in any such endeavor and would be a benefit to the state as well in the long term.

I have been absent a large portion of the time period between the date of your October 5 letter and the present and I was not in the office. I apologize for any inconvenience, but ask that

Ray Smith

2

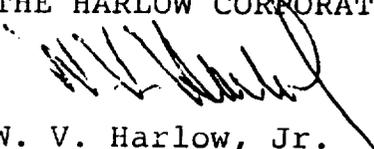
November 28, 1995

you please understand that we have been operating in New Mexico for decades and it is not our wish to shirk our responsibilities.

If you need any other response please advise.

Sincerely,

THE HARLOW CORPORATION



W. V. Harlow, Jr.

WVH:ab