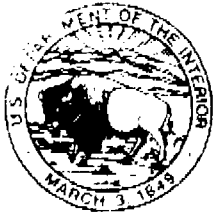


ATTENTION : DAVE CATANACH  
NMOLL

From ELOREN WICKSTROM  
BLM

970 - 385-1373



UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
SAN JUAN RESOURCE AREA  
701 Camino del Rio  
Durango, CO 81301



In Reply Refer to:  
CO-038

December 16, 1998

New Mexico Oil Conservation Commission  
attn: Dave Catanach  
2040 South Pacheco  
Santa Fe, New Mexico

Subject: Docket, Thursday, December 17, 1998  
Case 12098, 12099 and 12100

Dear Mr. Catanach:

We have received notice that three applications have been filed by Cross Timbers Oil Company for unorthodoxed gas well locations and simultaneous dedications within the Ute Mountain Ute Reservation, San Juan County, New Mexico. Cross Timbers Oil Company further seeks exception to Division General Rule 104.D(3) to continuously and concurrently produce Dakota production from three wells at identified locations in CASES 12098, 12099 and 12100, and to simultaneously dedicate all three wells to a 160-acre unit.

The Bureau of Land Management (BLM), San Juan Field Office has not had been presented with nor had the opportunity to review the technical reservoir, geologic and economic data to support this request. We have reviewed the technical information available to us at this time and it appears that these option locations will more effectively and efficiently recover additional reserves from the Dakota reservoir. However, a final decision is reserved at this time.

In accordance with our Memorandum of Understanding (MOU) of September 24, 1997, (D3d), "NMOCD will not issue final binding orders relating to matters on Indian lands. The NMOCD will issue a draft order, within 60 days of the hearing, for the purpose of consideration by the BLM in making its decision. The BLM will review the draft order and make an independent evaluation of the evidence presented at the hearing and all other information in the administrative record."

All information presented at the hearing and any additional technical information will be considered in consultation with the Ute Mountain Ute Tribe, and in accordance with the terms and conditions of the MOU prior to BLM reaching a final decision on these CASES delineated above. The BLM will attempt to issue an order within 90 days after completion of the administrative record. The BLM will notify Cross Timbers Oil Company, the NMOCD and the Ute Mountain Ute Tribe of the BLM's decision.

Sincerely,

Calvin N. Joyner  
Area Manager

cc: Ute Mountain Ute Tribe  
Cross Timbers Oil Company