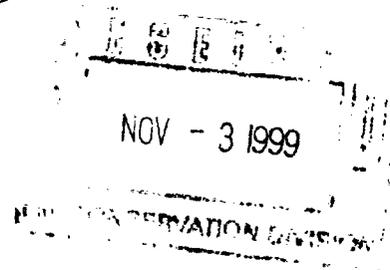


November 2, 1999

State of New Mexico
Oil Conservation Division
2040 South Pachecho Street
Santa Fe, NM 87505



Re: **Case No. 12278**
ARCO State #1 Well (1339)
Lea County, New Mexico



The
GRAYROCK
Corporation

11910 Greenville Avenue
Suite 302
Dallas, Texas 75243
TEL: (972) 664-0664
FAX: (972) 664-0333

Gentlemen:

The Grayrock Corporation is a working interest owner in the captioned well and strongly supports the removal of Pride Energy Company as operator. Our vote for removal is based on Pride Energy's failure or refusal to operate the well in a prudent manner under the terms of that certain joint operating agreement dated December 8, 1980 that covers the subject property.

Pride acquired the interests of the previous operator and assumed operations of the ARCO State #1 well on June 1, 1998. Since that time, Pride has failed to timely (a) remit revenue payments to the working interest owners entitled to receive same and (b) bill the working interest owners in compliance with the terms of the operating agreement.

In August 1999, Pride began distributing oil revenues for the period of January 1999 through August 1999 and gas revenues for the period of December 1998 through July 1999, along with saltwater disposal credits for the period of June 1998 through July 1999. Billings have now been received through August 1999. Please note that these actions were initiated about the same time that the working interest owners unanimously voted to remove Pride as operator.

In light of the foregoing, The Grayrock Corporation respectfully requests that you uphold the removal of Pride Energy Company as operator and the approval of E.G.L. Resources, Inc. as successor operator as reflected on Form C-1 approved by the Oil Conservation Division on October 5, 1999 (copy attached).

Should you have questions, feel free to contact me at 972-664-0664, ext. 236.

Very truly yours,

THE GRAYROCK CORPORATION

John S. Nichols
President

Enclosure

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Bravo Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-1
 Revised February 10, 19
 Instructions on b
 Submit to Appropriate District Off
 5 Cop

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

AMENDED REPO

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator name and Address E.G.L. Resources, Inc. P.O. Box 10886 Midland, Texas 79702		OGRID Number 173413
		Reason for Filing Code CH 9-1-1999
API Number 30 - 0 25 27321	Pool Name Vacuum, South (Wolfcamp)	Pool Code 62360
Property Code 24935	Property Name Arco State	Well Number 1

II. Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West line	County
P	16	18 S	35 E	P	330'	South	900'	East	Lea

Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
S	P								

III. Oil and Gas Transporters

Transporter OGRID	Transporter Name and Address	POD	O/G	POD ULSTR License and Description
021778	SUNCO	2450210	O	
9171	GM Gas Corporation	2450230	G	

IV. Produced Water

POD	POD ULSTR Location and Description

V. Well Completion Data

Spud Date	Ready Date	TD	FBTD	Perforations
2450250				
Hole Size	Casing & Tubing Size	Depth Set	Sacks Cement	

VI. Well Test Data

Date New Oil	Gas Delivery Date	Test Date	Test Length	Tbg. Pressure	Cap. Press
Choke Size	Oil	Water	Gas	AOF	Test Meth.

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signatures: *W. Wesley Perry*

Printed name: **W. Wesley Perry**

Title: **President**

Date: **10.5.99**

Phone: **915.682.1305**

OIL CONSERVATION DIVISION

Approved by: **Drig. Signed by Paul Kautz Geologist**

Title:

Approval Date: **OCT 05 1999**

* If this is a change of operator fill in the OGRID number and name of the previous operator.

PRIDE Energy Company

Previous Operator Signature

Printed Name

Title