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December 27, 1999

**HAND DELIVERED**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: **Oil Conservation Division Cases 12303 and 12304.** Applications of Raptor Resources, Inc. for unorthodox infill gas well locations, Lea County, New Mexico.

Dear Ms. Wrotenbery:

The purpose of this letter is to seek immediate clarification of the actions of the Division taken at the December 21, 1999 prehearing conference in the above referenced cases.

As you are aware, these cases involve applications for unorthodox infill well locations for three Jalmat Gas Pool wells which are operated by Raptor Resources, Inc. Both Raptor cases involve applications in which notice of these unorthodox locations was not provided to Doyle Hartman, an offset operator, and, therefore, Raptor is voluntarily shutting in these wells pending a Division hearing.

OIL CONSERVATION DIV.  
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This prehearing conference was held to hear arguments on Raptor's Motion to Quash in Part a subpoena directing it to produce certain information to Hartman and discuss the issues raised in these cases. The Division's December 16, 1999 letter setting this prehearing conference also identified the following additional issues to be considered at the conference:

(i) whether these cases are appropriate forums for addressing how the Jalmat Gas Pool should be further developed, (ii) whether a new case should be docketed to address amending the Jalmat Special Pool Rules, and (iii) whether the above-referenced cases should be stayed, and the administrative orders vacated and those wells shut-in and the administrative applications stayed, pending the outcome of a possible case to amend the Jalmat Special Pool Rules.

At the prehearing conference, following a general discussion of the various issues related to the development of the Jalmat Gas Pool, the Division took actions which go far beyond the issues identified in its December 16, 1999 letter. The Division announced that, among other things, that it was rescinding the Applications for Permits to Drill for the "Raptor wells complained of by Hartman" and that the applications of Raptor were stayed pending a hearing on Jalmat Pool Rules set for March 2, 2000. The Raptor Motion to Quash in Part was stayed pending the March 2 hearing.

As you are aware, at the time the Division considered the applications of Raptor which it now rescinds, Hartman's objections were found to be without merit. However, instead of following its rules and statutes, the Division has deferred to Hartman and taken actions based, not upon evidence, but only upon the fact that Hartman complains again. It has rescinded permits, months after they were approved and after the applicant has expended substantial sums of money and otherwise acted in reliance thereon. The result of these actions, without proper notice or hearing, is that oil and gas rights have been impaired and due process rights violated.

At the December 21, 1999 conference, no evidence was presented. Hartman made no showing that waste was occurring or that correlative rights of Mr. Hartman were being impaired by the three wells which are the subject of the Raptor applications. No record was made. No one could identify which wells were the subject of the Hartman objection and no one at the hearing no one could even identify the wells that would be subject to these Division actions. It was not until December 23, 1999, that Mr. Hartman's attorneys, pursuant

Ms. Lori Wrotenbery  
December 27, 1999  
Page 3

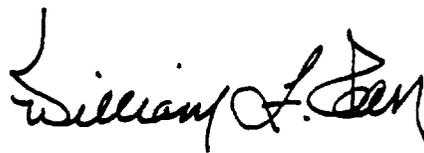
to a request from the Division's legal counsel, identified six wells in addition to the three wells which are the subject Cases 12303 and 12304 to which Hartman now objects. These wells were approved by the Division as long ago as June 1999, and Raptor relied on these approvals in its efforts to develop the Jalmat reserves under the tracts which it operates. Raptor therefore requests that the Division immediately identify the specific wells which are covered by its December 21, 1999 actions.

If there is a need to review the rules which govern the development of this pool and determine if changes in these rules need to be made, that can and should be done without arbitrarily and indefinitely suspending the rights of selected operators while the agency engages in a process which could take years to conclude. This is especially true where, as here, Hartman complains of an unorthodox Raptor location 660 feet from his lease while he is producing a well in the same correlative zone that, because it is classified an oil well, is at a standard location under Division rules 330 feet from the Raptor operated property.

The Division may not want its procedures reviewed by the court in the suit recently filed against it by Hartman. However, while attempting to avoid litigation, the agency must regulate the industry in a manner which complies with its rules and with state and federal law.

You are hereby advised that unless the Division's December 21, 1999 actions are immediately clarified, the wells subject to that action identified, and the Division's arbitrary retroactive rescission of approvals upon which Raptor relied corrected, we will have no choice but to seek review of this matter by the courts.

Very truly yours,



William F. Carr  
Attorney for Raptor Resources, Inc.

WFC/md

Ms. Lori Wrotenbery  
December 27, 1999  
Page 4

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