



via fax 505/827-8177

January 27, 2000

Ms. Lori Wrotenbery
Director, Oil Conservation Division
New Mexico Energy, Minerals & Natural Resources Dept.
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Reliance Operating Co.
Federal D No.3 Well
E/2 Section 31, T9S, R36E
Lea County, New Mexico

Dear Ms. Wrotenbery:

Reference is made to our letter dated January 10, 2000 regarding the 320-ac. spacing unit of the Federal D No.3 Atoka Gas well located in the E/2 of Section 31, T9S, R36E, Lea County, New Mexico (copy of OCD Form C-102 enclosed). As mentioned in our January 10th letter, David L. Cherry and myself are owners of mineral interest in the NE/4 of Section 31 and are entitled to our share of the production proceeds from the Federal D No.3 gas well and established 320-ac. proration unit. Neither Mr. Cherry or myself have received our rightful share of production revenue collected by Reliance from the gas and condensate purchasers on this well. This well has been producing for over a year and the operator has certain knowledge and title confirmation of our mineral interest in the NE/4 of Section 31. However, we have reason to believe that the Operator will not properly consolidate our interest into the established proration unit and pay us. As mineral interest owners in the proration unit for this well we firmly believe our correlative rights are being violated.

According to OCD Form C-102 filed by the operator dedicating the E/2 of Section 31 as the proration unit for the Federal D No.3 well; "No Allowable with be assigned to this completion until all interests have been consolidated or a Non-Standard Unit has been approved by the Division". As of this date, the operator has not complied with OCD rules

and consolidated all interests in the E/2 unit. Therefore, we respectfully request that the OCD cancel and rescind the allowable for the Federal D No.3 well until, at such time, the operator properly consolidates all the interests in the proration unit.

Please advise. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "William C. Bahlburg". The signature is fluid and cursive, with a large, sweeping flourish at the end.

William C. Bahlburg

Enclosure

cc: Armando Lopez, BLM
Michael Stogner, NMOCD
Lyn Hebert, NMOCD
Chris Williams, NMOCD
David L. Cherry
Reliance Operating Co.

