



HCW EXPLORATION, INC.
400 N. MARIENFELD
P.O. BOX 10585
MIDLAND, TEXAS 79702

(915) 683-3303

April 15, 1985

Mr. Doyle Hartman
P. O. Box 10426
Midland, TX 79702

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 8604 Exhibit No. 3

Submitted by HCW

RE: Our Etz Lease

Leasing Date 10/17/85
Hearings Date New Mexico

Dear Doyle:

Reference is made to your letters of March 25, March 29, April 1 and April 10, 1985, my telephone conversation of March 28, 1985 with you and Buddy Davidson, and my telephone conversation of April 10, 1985 with Bill Aycok.

First of all, we resent your tactics in this whole matter, and find your pushiness most offensive. As I told you over the phone, HCW is not interested in farming out its interest in this lease as it has had a well proposed for the SW/4 Sec. 27 since last fall.

Secondly, we take issue with your accusations concerning our disposal system, the manner in which the Etz No. 4 was plugged, and alleged reservoir damage. We feel that those accusations are all biased, personal opinions of yours as we have operated this lease prudently and in accordance with good oil field practices.

By copy of this letter to the below listed working interest owners, we are announcing a meeting to be held in our offices on Tuesday, April 23, 1985, starting at 10:00 a.m. to discuss ways to proceed on this lease given the well you have proposed in the SE/4 of Sec. 27 and the deeper well we proposed sometime ago in the SW/4 of Sec. 27. If you can furnish us evidence of your mineral ownership in any part of the S/2 Sec. 27, in advance of the meeting, your attendance will be welcomed. This much lead time in scheduling the meeting is necessary because of the working interest owners who live out of town and out of state.

Call us if you have any questions or would like a particular item put on the agenda for the April 23rd meeting.

Yours truly,

HCW EXPLORATION, INC.

By James C. Brown
James C. Brown, President

JCB/nb

Doyle Hartman
April 15, 1985
Page 2

cc: Cities Service Oil and Gas Corporation
P. O. Box 1919
Midland, TX 79702
Attn: Gene Motter

Trusts Created Under the Will of Rufus G. Clay,
Deceased
c/o MBank
P. O. Box 910
Ft. Worth, TX 76101-0910
Attn: Tom Hightower
Vice President and Trust Officer

Evelyn Clay Mooney
P. O. Box 589
Locust Valley, NY 11560

Margaret Ann Clay Couch
P. O. Box 568
Watertown, NY 13601

Rufus Gordon Clay, Jr.
30 Canyon Road
Los Alamos, NM 87544

Management Trust Company
P. O. Box 10621
Midland, TX 79702

James C. Brown

HCW Income Properties

Lewis B. Burleson
P. O. Box 2479
Midland, TX 79702

Juanita Jackson

Steve Douglas

Brenda Hughes



CITIES SERVICE OIL AND GAS CORPORATION
P. O. BOX 1919 MIDLAND, TEXAS 79702

(915) 685-5600

April 15, 1985

HCW Exploration
P. O. Box 10585
Midland, Texas 79702

Attention: Mr. Jim Brown

Re: S/2 Section 27
T-23-S, R-36-E,
Lea County, New Mexico

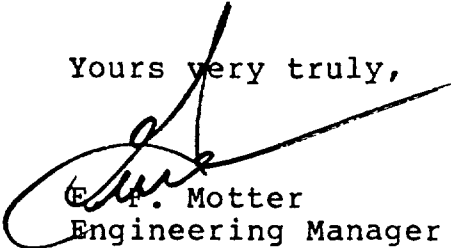
Gentlemen:

As we discussed previously, Cities Service recommends HCW call a meeting of all parties holding an interest in the S/2 Section 27, T-23-S, R-36-E, Lea County, New Mexico as soon as possible to discuss future development and operation of this tract.

Cities Service entered an operating agreement in April, 1981 with HCW for the subject acreage to a depth of 4000'. HCW proposed an oil well in the Langlie Mattix pool with a secondary objective of Jalmat gas pool on October 29, 1984 which Cities Service approved and returned on November 16, 1984. Recently, Doyle Hartman proposed a Jalmat Gas well covering the same proration unit which was later changed to a gas proration unit of the SE/4 and also included a 3800' salt water disposal well.

If you have any questions about this matter, please feel free to call me.

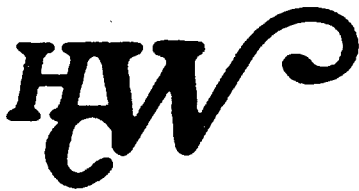
Yours very truly,



E. P. Motter
Engineering Manager
Southwest Region
E & P Division

EFM:wc

CC: Mr. Doyle Hartman
P. O. Box 10426
Midland, Texas 79702



HCW EXPLORATION, INC.
400 N. MARIENFELD
P.O. BOX 10585
MIDLAND, TEXAS 79702

(915) 683-3303

April 24, 1985

Doyle Hartman
500 N. Main
P.O. Box 10426
Midland, TX 79702

RE: Proposed Infill Well
Jalmat (Gas) Pool Interval
SE/4, Section 27
T 23S R36E
Lea County, New Mexico

Dear Doyle:

Reference is made to our letter to you dated April 15, 1985 inviting you and your representatives to attend a meeting at HCW's office of those having a working interest in the S/2 section 27, T23S, R36E, Lea County, New Mexico at 10 AM April 23, 1985. The meeting was held on schedule with representatives of Cities Service Co., HCW Exploration, and the various Clay trusts in attendance. HCW Exploration requested this meeting in order to discuss various proposals now being circulated concerning the development of the S/2 of section 27, T23S, R36E. Since you and or your representatives neither attended the meeting nor contacted HCW Exploration, we are left with no choice but to conclude that you are unwilling to work with the various interest owners in developing the S/2 of section 27, T23S R36E.


The consensus of the working interest owners who attended the meeting is that there has never been any question as to the possibility of a new Jalmat gas well to be located in the SE/4 of section 27. In addition, those present who own an interest in the SW/4 of section 27, believe that the SW/4 will also support a Jalmat gas well. The differences that have occurred between yourself and the rest of the working interest owners is simply one of timing. We appreciate your desire to see the first well drilled in the SE/4 of section 27 as we understand your very small interest is limited to that quarter section. Those companies and individuals which represent 76 percent of the working interest in the SE/4 have agreed to a proposal by HCW Exploration to drill a 3600' Jalmat gas well in the SE/4 of section 27, T23S, R36E.

Attached, please find two copies of our AFE to drill the George Etz #6. If you wish to join please sign and return one copy. If you do not wish to join in drilling this well, we are sure an equitable arrangement might be made whereby HCW Exploration farms in your interest.

Please let us hear from you as to your decision not later than April 29, 1985, as we intend to file a compulsory pooling action and docket it for hearing May 22, 1985. Further we intend to request that the NMOCD continue until May 22, 1985 compulsory pooling case #8594 filed by you and docketed for hearing May 8, 1985.

In closing let us say we regret that legal action before the NMOCD might be required to resolve our differences. HCW wants only to protect its rights and those of the working interest owners in the SE/4. If you have any questions, please do not hesitate to call.

Sincerely,
HCW Exploration, Inc.

A handwritten signature in dark ink, appearing to read "David T. Sites", written in a cursive style.

David T. Sites
Production Geologist

DTS/sb

Attachment

cc: Kellahin and Kellahin
ATTN: Tom Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504



HCW EXPLORATION, INC.
400 N. MARIENFELD
P.O. BOX 10585
MIDLAND, TEXAS 79702

(915) 683-3303

April 25, 1985

Cities Service Company
Attn: Gene Motter
P.O. Box 1919
Midland, TX 79701

RE: Proposed Infill Well
Jalmat (Gas) Pool
SE/4 Section 27
T23S R36E
Lea County, New Mexico

Dear Gene:

Enclosed are two copies of our AFE to cover the cost of drilling and completing our George Etz #6 in the SE/4 of section 27, T23S R36E, Lea County, New Mexico. In addition, I have enclosed our latest correspondence with Doyle Hartman informing him of our intentions and asking him to join in drilling this well. At this point, I do not expect to hear from Doyle, therefore we are proceeding with our Compulsory Pooling Action which should be filed Monday, April 29, 1985. I spoke with Tom Kellahin yesterday and he advised me the approach we are taking is the best option available. It is his intention to have the case docketed for hearing May 22, 1985. He further intends to request that the Commission continue Doyle's case until May 22, 1985 so both cases can be heard at once. We will keep on top of events and keep you informed as they occur.

Thank you for the support Cities Service Company has shown HCW Exploration in this matter. If we can be of service, please let us know.

Sincerely,

HCW Exploration, Inc.

A handwritten signature in dark ink, appearing to read 'David T. Sites', written in a cursive style.

David T. Sites
Production Geologist

DTS/sb

Enclosures



HCW EXPLORATION, INC.

400 N. Marienfeld
P. O. Box 10585
Midland, Texas 79702

(915) 683-3303

April 25, 1985

Arco Oil & Gas, Inc.
Attn: Jeff Knight
P.O. Box 1610
Midland, TX 79701

RE: Proposed Infill Well
Jalmat (Gas) Pool
SE/4 Section 27
T23S R36E
Lea County, New Mexico

Dear Jeff:

Reference is made to our telephone conversation April 23, 1985 when we talked at some length concerning HCW Exploration's position with respect to an infill well in SE/4 of section 27, T23S R36E, Lea County, New Mexico. Attached are two copies of our AFE to cover the cost to drill and complete the George Etz #6 in the SE/4 of section 27. As you will note, our AFE does not include the cost of opening a water disposal well or additional cementing work in the Etz #4. HCW does not feel this will be necessary.

Enclosed is our last correspondence with Doyle Hartman requesting that he join HCW and the majority of the working interest owners in drilling the George Etz #6 or farm-out on an equitable basis. As is evident from the letter HCW Exploration intends to file for a compulsory pooling hearing with the NMOCD. It is regretted that this action might be necessary. We do not like forced pooling actions and would not take them except as a last resort. HCW Exploration believes much more can be accomplished by working together with its partners. Therefore, we are asking that you support HCW Exploration by joining in the drilling of this well. We have well files and logs on the Etz wells which can be available to you, should you need them. If we can answer any questions concerning HCW Exploration's position do not hesitate to call.

Sincerely,

HCW Exploration, Inc.

David T. Sites
Production Geologist

DTS/sb

Attachments



HCW EXPLORATION, INC.

400 N. Marienfeld
P. O. Box 10585
Midland, Texas 79702

(915) 683-3303

April 25, 1985

Ashland Exploration
P.O. Box 218330
Houston, TX 77218

RE: Proposal to Drill
George Etz #6
SE/4 section 27
T23S R36E
Lea County, New Mexico

Gentlemen:

Enclosed please find two copies of our AFE to drill the George Etz #6 in the SE/4 of section T23S, R36E, Lea County, New Mexico. The proposed well will be a 3600' infill Jalmat gas well. Presently there are two proposals to drill in the SE/4 of section 27. The two operators wishing to drill are HCW Exploration and Doyle Hartman. HCW currently operates the George Etz #1 and #2 located in the SW/4 of section 27. Further, we have staked another location to drill the George Etz #5 in the SW/4 of section 27. We currently have the approval of 76 percent of the working interest to proceed with the drilling of our George Etz #6 in the SE/4.

HCW Exploration invites you to join in drilling this well by signing and returning one copy of the enclosed AFE. Should you decide not to join in the well, HCW Exploration will consider farming in you interest on very favorable terms. Thank you for your consideration in this matter. If we can answer any questions concerning this well or HCW's position please do not hesitate to contact us.

Sincerely,

HCW Exploration, Inc.

A handwritten signature in dark ink, appearing to read 'David T. Sites', is written over a horizontal line.

David T. Sites
Production Geologist

DTS/sb

Enclosure



HCW EXPLORATION, INC.

400 N. Marienfeld
P. O. Box 10585
Midland, Texas 79702

(915) 683-3303

April 25, 1985

Thomas B. Hightower
Vice President & Trust Officer
M Bank Fort Worth NA
P.O. Box 910
Fort Worth, TX 76101

RE: Proposal to Drill
George Etz #6
SE/4 Section 27
T23S R36E
Lea County, New Mexico

Dear Tom:

Enclosed are two copies of our AFE to drill and complete the George Etz #6 as a Jalmat gas well in the SE/4 of section 27. I spoke with our attorney in Santa Fe, New Mexico Wednesday morning and explained our position to him. He agreed that our proposal to drill a Jalmat gas well in the SE/4 and file a Compulsory Pooling Action before the NMOCd was the best option available. Currently, we expect to file for a hearing April 29, 1985 if we do not hear from Doyle Hartman. The earliest the hearing can be heard is May 22, 1985. Therefore, we will request the Commission continue Doyle's case until that date. I am enclosing our latest correspondence to Doyle which explains our position and gives him the opportunity to join in drilling this well.

Our attorney indicated to me that one of the major factors in the Commission's decision as to who operates any well in the SE/4 of section 27, will be the support of the other working interest owners. We are therefore requesting that all working interest owners sign and return the AFE as quickly as possible. If I can answer any questions please do not hesitate to call.

Sincerely,

HCW Exploration, Inc.

David T. Sites
Production Geologist

DTS/sb

Enclosures



HCW EXPLORATION, INC.

400 N. Marienfeld
P. O. Box 10585
Midland, Texas 79702

(915) 683-3303

April 25, 1985

Barton Bros. Land & Royalty Co.
P.O. Box 978
Hobbs, New Mexico 88240

RE: Proposal to Drill
George Etz #6
SE/4 section 27
T23S R36E
Lea County, New Mexico

Gentlemen:

Enclosed please find two copies of our AFE to drill the George Etz #6 in the SE/4 of section T23S, R36E, Lea County, New Mexico. The proposed well will be a 3600' infill Jalmat gas well. Presently there are two proposals to drill in the SE/4 of section 27. The two operators wishing to drill are HCW Exploration and Doyle Hartman. HCW currently operates the George Etz #1 and #2 located in the SW/4 of section 27. Further, we have staked another location to drill the George Etz #5 in the SW/4 of section 27. We currently have the approval of 76 percent of the working interest to proceed with the drilling of our George Etz #6 in the SE/4.

HCW Exploration invites you to join in drilling this well by signing and returning one copy of the enclosed AFE. Should you decide not to join in the well, HCW Exploration will consider farming in you interest on very favorable terms. Thank you for your consideration in this matter. If we can answer any questions concerning this well or HCW's position please do not hesitate to contact us.

Sincerely,

HCW Exploration, Inc.

A handwritten signature in dark ink, appearing to read 'David T. Sites', is written over the typed name.

David T. Sites
Production Geologist

DTS/sb

Enclosure



HCW EXPLORATION, INC.
400 N. MARIENFELD
P.O. BOX 10585
MIDLAND, TEXAS 79702

(915) 683-3303

COST ESTIMATE AND AUTHORITY FOR EXPENDITURE

DATE: 4-23-85

WELL NAME & NO. George Etz #6
LOCATION: SE 1/4 Section 27, T 23S, R 36E
COUNTY: Lea STATE: New Mexico AFE NO. _____
PROPOSED FORMATION: Yates-Seven Rivers OIL _____ GAS X OTHER _____
COMPLETION: SINGLE X DUAL _____ PROJECTED T.D. 3,600

A. INTANGIBLE DRILLING COST-Before Csg Pt:

1. DAMAGES & RIGHT-OF-WAY	\$ 3,000
2. STAKE & BUILD LOCATION	4,000
3. CONTRACT DRILLING-FOOTAGE <u>\$14./ft.</u>	51,000
4. CONTRACT DRILLING-DAY WORK	
5. CEMENTING SERVICE: CONDUCTOR	
SURFACE <u>160 sx</u>	3,000
INTERMEDIATE	
6. DRILLING MUD & CHEMICALS	5,000
7. WATER AND/OR BRINE	5,000
8. BITS, REAMERS, ETC. <u>Included in footage rate</u>	
9. FUEL <u>Included in footage rate</u>	
10. TOOL & EQUIPMENT RENTALS	1,000
11. CORES & ANALYSIS; DST'S: ETC.	
12. OPEN HOLE LOGS	
13. TRUCKING	1,000
14. MISCELLANEOUS SUPPLIES & LABOR	1,000
15. ABANDONMENT COST-INCLUDING RIG-TIME	
16. GEOLOGICAL SUPERVISION	1,000
17. ENGINEERING SUPERVISION	5,000
18. DRILLING OVERHEAD	2,000
19. CONTIGENCIES _____ %	

TOTAL INTANGIBLE DRILLING COST-Before Csg Pt. A. \$ 82,000

B. TANGIBLE DRILLING COST-Before Csg Pt:

1. WELLHEAD EQUIPMENT <u>screwed equipment</u>	3,000
2. CONDUCTOR &/OR SURFACE CSG <u>400' - 8 5/8", 24#</u>	5,000
3. INTERMEDIATE CSG	

TOTAL TANGIBLE DRILLING COST-Before Csg Pt. B. \$ 8,000

TOTAL ESTIMATED DRY HOLE & BEFORE CSG PT COST (A+B) \$ 90,000

C. INTANGIBLE COMPLETION COST-After Csg Pt:

1. CMTING SERVICE (PROD.CSG, SQZG, ETC) <u>1000 sx</u>	12,000
2. CASED HOLE LOGGING & PERF <u>GR-Neutron & Perf</u>	8,000
3. COMPLETION UNIT <u>8 days @ \$1500/day</u>	12,000
4. ACIDIZING &/OR FRACTURING <u>foam frac</u>	50,000
5. TOOL & EQUIPMENT RENTALS	4,000
6. WATER (FRESH, KCL, BRINE) <u>For frac job</u>	4,000

COST ESTIMATE
PAGE -2-

7. MISCELLANEOUS SUPPLIES & LABOR	2,000
8. TRUCKING (CSG,TBG, SURFACE FACILITIES)	3,000
9. LOCATION CLEAN UP	1,000
10. WELDING, TEMP. PMPG, ETC.	1,000
11. COMPLETION SUPERVISION	5,000
12. COMPLETION OVERHEAD	2,000
13. CONTINGENCIES %	5,000

TOTAL INTANGIBLE COMPLETION COST-After Csg. Pt. C.\$ 109,000

D. TANGIBLE COMPLETION COST-After Csg. Pt:

1. PRODUCTION CASING 3600' - 4 1/2", 10.5#, J-55 ST&C	\$ 18,000
2. TUBING 3600' - 2 3/8", 4.7#, J-55, EUE, 8rd	8,000
3. WELLHEAD EQUIPMENT	5,000
4. SUCKER RODS 3600' - 3/4"	5,000
5. PMPG UNIT W/ENG OR MOTOR 114 w/elec motor	20,000
6. BOTTOM HOLE EQUIPMENT 1-1/2" pump	3,000
7. FLOW LINES	2,000
8. STORAGE TANKS & RELATED EQUIP.	3,000
9. TREATER &/OR SEPARATOR	6,000
10. BATTERY CONNECTIONS	3,000
11. ELECTRICAL INSTALLATION	2,000
12. OTHER EQUIPMENT	1,000
13. INSTALLATION LABOR	5,000
14. MISCELELANEOUS	3,000

TOTAL TANGIBLE COMPLETION COST-After Csg.Pt. D.\$ 84,000

TOTAL WELL COMPLETION COST C+D \$ 193,000

TOTAL COMPLETED WELL COST \$ 283,000

PREPARED BY:

Name

Production Geologist
Title

APPROVED BY:

Steve A. Douglas
Steve A. Douglas
Vice-President, Operations

RECEIVED, APPROVED & ACCEPTED THIS _____ DAY OF _____, 19__.

Name

Title

Participant



HCW EXPLORATION, INC.

400 N. MARIENFELD

P.O. BOX 10585

MIDLAND, TEXAS 79702

(915) 683-3303

September 12, 1985

Offset Jalmat (Gas) Operators
George Etz #6
SE/4 Section 27, T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

HCW Exploration, Inc. has staked a location for its George Etz #6. The Location of the well is 660' FEL and 660' FSL, Section 27, T-23-S, R-36-E, Lea County, New Mexico. HCW wishes to dedicate 160 acres comprising the SE/4 to the new well. The 160 acre non-standard proration unit may be approved administratively providing no offset operator objects. HCW Exploration, Inc., hereby request your waiver of objection to its non-standard proration unit.

If you have no objection, please execute one copy of this letter and return it in the enclosed self-addressed, stamped envelope. The second copy may be retained for your files.

Thank you for your cooperation in this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'David Sites', written over a horizontal line.

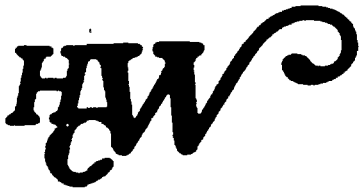
David Sites
Production Geologist

ejh

Executed the 24th day of Sept., 1985.

By A handwritten signature in dark ink, appearing to read 'C. B. Matthews', written over a horizontal line.

Company EL PASO NATURAL GAS



HCW EXPLORATION, INC.
400 N. MARIENFELD
P.O. BOX 10585
MIDLAND, TEXAS 79702

(915) 683-3303

September 24, 1985

CERTIFIED MAIL NO. P 652 053 461
RETURN RECEIPT REQUESTED

Mr. Craig Payken
ARCO Oil and Gas
P. O. Box 1610
Midland, Texas 79702

RE: Offset Jalmat (Gas) Operators
George Etz #6
SE/4 Section 27, T-23-S, R-36-E
Lea County, New Mexico

Dear Mr. Payken:

HCW Exploration, Inc. has staked a location for its George Etz #6. The location of the well is 660' FEL and 660' FSL, Section 27, T-23-S, R-36-E, Lea County, New Mexico. HCW wishes to dedicate 160 acres comprising the SE/4 to the new well. The 160 acre non-standard proration unit may be approved administratively providing no offset operator objects. HCW Exploration, Inc., hereby requests your waiver of objection to its non-standard proration unit.

If you have no objection, please execute one copy of this letter and return it in the enclosed self-addressed, stamped envelope. The second copy may be retained for your files.

Thank you for your cooperation in this matter.

Very truly yours,

David Sites
Production Geologist

ejh

Executed the 25th day of Sept, 1985.

Cindy Willis for CLP
Name

ARCO Oil & Gas Co.
Company



HCW EXPLORATION, INC.
400 N. MARIENFELD
P.O. BOX 10585
MIDLAND, TEXAS 79702

(915) 683-3303

September 12, 1985

Offset Jalmat (Gas) Operators
George Etz #6
SE/4 Section 27, T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

HCW Exploration, Inc. has staked a location for its George Etz #6. The Location of the well is 660' FEL and 660' FSL, Section 27, T-23-S, R-36-E, Lea County, New Mexico. HCW wishes to dedicate 160 acres comprising the SE/4 to the new well. The 160 acre non-standard proration unit may be approved administratively providing no offset operator objects. HCW Exploration, Inc., hereby request your waiver of objection to its non-standard proration unit.

If you have no objection, please execute one copy of this letter and return it in the enclosed self-addressed, stamped envelope. The second copy may be retained for your files.

Thank you for your cooperation in this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'David Sites', written over a horizontal line.

David Sites
Production Geologist

ejh

Executed the 13th day of September 1985.

By [Signature]

Company Canoco Inc.