

GRYNBERG PETROLEUM COMPANY

5000 SOUTH QUEBEC ● SUITE 500 ● DENVER, COLORADO 80237-2707, USA ● PHONE 303-850-7490

E-MAIL: grynpetro@earthlink.net FAX: 303-850-7498

May 23, 2001

MAY 24 2001

Ms. Lori Wrotenbery,
Director of Oil Conservation Division,
State of New Mexico
Department of Energy, Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 12457
Order No. 11518, dated January 31, 2001

Dear Ms. Wrotenbery,

I am writing you to respectfully request that you set aside, suspend or alternatively to put on hold temporarily your Department's Order of the Division No. 11518 dated January 31, 2001 ("Order"). In support of our request, please be advised, that we have no record of receiving notice of the hearing of January 11, 2001. As you know, as operator of the wells concerned, we are entitled to notice prior to the hearing, and to attend and participate if we so choose. Although our records indicate that we received on July 10, 2000, a certified notice of hearing for a July 27, 2000 hearing, we have no record of the January 11, 2001 notice of hearing. Your records may indicate otherwise. However, we would have liked to participate in the hearing but did not do so, either due to lack of notice to our company generally, or due to Mr. Grynberg not being aware personally.

We would have very much liked to participate because at the time, we were drilling through the granite wash, our LZ State # 7, jointly with Yates Petroleum (50% - 50%), with Yates as operator. Accordingly and obviously, we would have asked the Department of Energy to defer its decision pending the outcome of this very important test well, which opened up the deep untested potential of this area. As I am sure you know, any additional gas development on the leases referenced in the Order, was precluded due to the uneconomical price of gas until very recently.

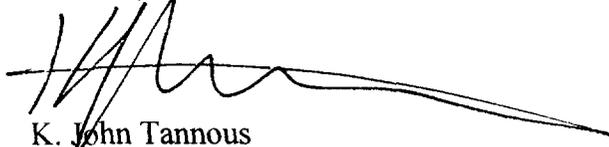
Ms. Lori Wrotenbery
Page 2

As further support for our request, please find a letter from Mr. Jack J. Grynberg, accompanied by a very comprehensive and detailed technical plan for reentering and deepening the wells to granite wash. I can assure you that Mr. Grynberg has personally undertaken supervision of this plan and fully intends to implement it accordingly.

It is my belief and trust that this plan is satisfactory to you and would hope that you would consider giving us the chance to implement it by setting aside the Order.

Should you need further information or would like for us to provide you with further documentation please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. John Tannous', with a long horizontal flourish extending to the right.

K. John Tannous
General Counsel

cc: James E. Kirk, esquire (Albuquerque, New Mexico counsel)
Enclosures

GRYNBERG PETROLEUM COMPANY

5000 SOUTH QUEBEC ● SUITE 500 ● DENVER, COLORADO 80237-2707, USA ● PHONE 303-850-7490

E-MAIL: grynpetro@earthlink.net FAX: 303-850-7498

Sent via Fedex Morning Delivery

May 23, 2001

Ms. Lori Wrotenbery
Director of Oil Conservation Division
State of New Mexico
Department of Energy, Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Ms. Wrotenbery:

Approximately six weeks ago we had filed a request for permission to deepen the Grynberg 32 State #4, in Section 32, Township 5 South, Range 24 East the approximately three weeks ago we filed a request for permission to deepen Grynberg 16 State #1, in Section 16, 5 South, 24 East.

Unfortunately, we used the old forms and the old addresses. We have today filed with the district office in Artesia, New Mexico, the attached request to deepen the Grynberg 16 State #1, in Section 16, Township 5 South, Range 24 East and the Grynberg 32 State #4 in Section 32, Township 5 South, Range 24 East in order to test the Granite Wash in each one of the two wells. A copy of each Form C-101 is attached hereto. We are trying to do our part to increase the gas supply in the country and with this in mind, we have commenced jointly with Yates Petroleum the drilling of 14 wells this year on jointly owned property in this immediate area. Our plan is to take one of the wells to test the Granite Wash and the first well the LZ State #7 located in C NWNE of Section 36, Township 5 South, Range 24 East was successful. This well was committed for an initial flow of 1.4 million cubic feet per day from the Granite Wash and encountered 12 feet of net pay. In addition, we have encountered the Cisco reservoir with 15 feet of net pay between the Granite Wash and the deepest Abo reservoir in that well. This well is now producing an approximate 319,000 cubic feet per day. Based on the above information, we respectfully request that the wells in Section 16, Township 5, Range 24 East and Section 32, Township 5 South, Range 24 East should not be ordered to be plugged

pending our deepening of Section 16, Township 5, Range 24 East and Section 32, Township 5 South, Range 24 East.

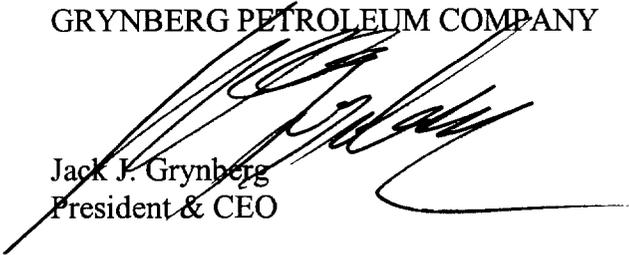
We have contacted Key Energy and are waiting the time frame to squeeze us in for rig and availability.

Attached to this letter and request are the procedures which we intend to follow in both the Grynberg 16 State #1 well in Section 16 and the Grynberg 32 State #4 well in Section 32. Pending the outcome of the deepening of both wells, we will then proceed to either plug the rest of the wells that you have so ordered or immediately deepen those wells to test the Granite wash and intermediate source between the lowest Abo reservoir tests in these wells and the Granite Wash.

We respectfully request that a postponement from any plugging of these wells in Section 16 and Section 32 be approved by you and your department, and we await approval of Form C-101 from your district office. If you or anyone in the Oil Conservation Division has any questions or need additional information, please contact Tom Venglar in our office at 303-850-7490.

Sincerely yours,

GRYNBERG PETROLEUM COMPANY



Jack J. Grynberg
President & CEO

JJG:bal

Attachments

cc: James Kirk, Esq.
Albuquerque, NM

| | | |
|---|--|--|
| District I 1625 N. French Dr., Hobbs NM 88240 District II 811 South First, Artesia, NM 88210 District III 1000 Rio Brazos, Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 | State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505 | Form C-101 Revised March 17, 1999 Submit to Appropriate District Office State Lease - 6 Copies Fee Lease - 5 Copies <input type="checkbox"/> AMENDED REPORT |
|---|--|--|

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|---|---|
| ¹ Operator Name and Address Jack J. Grynberg 5000 S. Quebec St. Suite 500 Denver, CO 80237 | | ² OGRID Number 11492 |
| | | ³ API Number 30-005-61149 |
| ⁴ Property Code 4821 | ⁵ Property Name Grynberg 16 State | ⁶ Well No. 1 |

7 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 16 | 5S | 24E | | 660 | S | 660 | E | Chaves |

8 Proposed Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | |
|--|-------------------------------|
| ⁹ Proposed Pool 1 Granite Wash | ¹⁰ Proposed Pool 2 |
|--|-------------------------------|

| | | | | |
|------------------------------------|---------------------------------------|---|------------------------------------|---|
| ¹¹ Work Type Code PB | ¹² Well Type Code G | ¹³ Cable/Rotary R | ¹⁴ Lease Type Code S | ¹⁵ Ground Level Elevation 3,978 |
| ¹⁶ Multiple No | ¹⁷ Proposed Depth 5,100 | ¹⁸ Formation Granite Wash | ¹⁹ Contractor NA | ²⁰ Spud Date 2nd Qtr, 2001 |

21 Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 14 3/4" | 10 3/4" | 32.75 | 860 | 650 | Surface |
| 7 7/8" | 4 1/2" | 10.50 | 4,150 | 1,495 | 960 |
| 3 7/8" | 2 7/8" | 6.50 | 5,100 | 50 | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Well is perforated in the Abo from 3,592' - 3,598', 3,694' - 3,707' and 3,757' - 3,763' with 1 SPF. Operator proposes to squeeze Abo perforations and deepen the well thru the Granite Wash. If logs show productivity, 2 7/8" casing will be run and cemented. The Granite Wash will be perforated, stimulated and tested. BOP will consist of double ram hydraulically operated 7 1/16".

| | | | |
|--|---------------------|--|------------------|
| ²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. | | OIL CONSERVATION DIVISION | |
| Signature: <i>Thomas E. Venglar</i> | | Approved By: | |
| Printed Name: Thomas E. Venglar | | Title: | |
| Title: Manager of Reservoir Engineering | | Approval Date: | Expiration Date: |
| Date: May 23, 2001 | Phone: 303-850-7490 | Conditions of Approval: Attached <input type="checkbox"/> | |

| | | |
|---|--|--|
| <u>District I</u> 1625 N. French Dr., Hobbs NM 88240 <u>District II</u> 811 South First, Artesia, NM 88210 <u>District III</u> 1000 Rio Brazos, Aztec, NM 87410 <u>District IV</u> 1220 S. St. Francis Dr., Santa Fe, NM 87505 | State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505 | Form C-101 Revised March 17, 1999 Submit to Appropriate District Office State Lease - 6 Copies Fee Lease - 5 Copies <input type="checkbox"/> AMENDED REPORT |
|---|--|--|

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|--|
| ¹ Operator Name and Address Jack J. Grynberg 5000 S. Quebec St. Suite 500 Denver, CO 80237 | | ² OGRID Number 11492 |
| | | ³ API Number 30-005-61364 |
| ⁴ Property Code 4823 | ⁵ Property Name Grynberg 32 State | ⁶ Well No. 4 |

7 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| F | 32 | 5S | 24E | | 1,980 | N | 1,980 | W | Chaves |

8 Proposed Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | |
|---|-------------------------------|
| ⁹ Proposed Pool 1 Granite Wash | ¹⁰ Proposed Pool 2 |
|---|-------------------------------|

| | | | | |
|---|--|--|---|--|
| ¹¹ Work Type Code PB | ¹² Well Type Code G | ¹³ Cable/Rotary R | ¹⁴ Lease Type Code S | ¹⁵ Ground Level Elevation 4,171.5 |
| ¹⁶ Multiple No | ¹⁷ Proposed Depth 5,100 | ¹⁸ Formation Granite Wash | ¹⁹ Contractor NA | ²⁰ Spud Date 2nd Qtr, 2001 |

21 Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 14 3/4" | 10 3/4" | 32# | 908 | 600 | Surface |
| 7 7/8" | 4 1/2" | 10.5# | 4,126 | 1,500 | 1,820 |
| 3 7/8" | 2 7/8" | 6.5# | 5,100 | 50 | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Well is perforated in the Abo from 3,850' - 3,878' and 3,937' - 3,942' with 1 SPF. Operator proposes to squeeze Abo perforations and deepen the well thru the Granite Wash. If logs show productivity, 2 7/8" casing will be run and cemented. The Granite Wash will be perforated, stimulated and tested. BOP will consist of double ram hydraulically operated 7 1/16".

| | | |
|---|--|------------------|
| ²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Thomas E. Venglar</i> | OIL CONSERVATION DIVISION | |
| Printed Name: Thomas E. Venglar | Approved By: | |
| Title: Manager of Reservoir Engineering | Title: | |
| Date: May 23, 2001 | Approval Date: | Expiration Date: |
| Phone: 303-850-7490 | Conditions of Approval: Attached <input type="checkbox"/> | |

**GRYNBERG 16 STATE #1
C SESE Sec 16-5S-24E**

**PECOS SLOPE FIELD
CHAVES COUNTY, NM**

DEEPENING PROCEDURE

Surface Casing: 10 3/4" 32.75# @ 860' w/650 sx
Production Casing: 4 1/2" 10.5# @ 4,150' w/1495 sx
Production Tubing: 2 3/8" @ 3,536'
Total Depth: 4,150'
Plug Back TD: 4,076'
Perforations: 3,592' - 3,598', 3,694' - 3,707' & 3,757' - 3,763' w/1 SPF

Proposal: Jack J. Grynberg proposes to squeeze the existing Abo perforations, deepen the Grynberg 16 State #1 well thru the Pennsylvanian Granite Wash formation and test this zone for commercial productivity.

1. MIRU Service Rig.
2. Circulate hole with fresh water.
3. Trip out of hole with 2 3/8" tubing.
4. NU 7 1/16" 5000# BOP's.
5. Trip in hole with retrievable bridge plug, set RBP at $\pm 3,620'$, test.
6. Drop 1 sack sand on top of RBP. Wait 1 hour to fall.
7. TIH with squeeze packer, set pkr at $\pm 3,570'$.
8. Pump into formation, establish rate.
9. Squeeze perms at 3,592' - 3,598' with ± 100 sx cement, wait on cement overnight.
10. Drill out cement with mill tooth bit, test to 1000#.
11. If pressure holds, continue, if pressure drops, re-squeeze perforations.
12. Trip out of hole with pkr.
13. Circulate sand off top of RBP.
14. Re-set RBP @ $\pm 3,730'$, test.
15. Drop 1 sack sd on top of RBP. Wait 1 hour to fall.
16. TIH with squeeze packer, set pkr at $\pm 3,670'$.
17. Pump into formation, establish rate.
18. Squeeze perms at 3,937' - 3,942' with ± 100 sx cement, wait on cement overnight.
19. Drill out cement with mill tooth bit, test to 1000#.
20. If pressure holds, continue, if pressure drops, re-squeeze perforations.
21. Trip out of hole with pkr.
22. Circulate sand off top of RBP.
23. Re-set RBP @ $\pm 3,790'$, test.
24. Drop 1 sack sd on top of RBP. Wait 1 hour to fall.
25. TIH with squeeze packer, set pkr at $\pm 3,730'$.
26. Pump into formation, establish rate.
27. Squeeze perms at 3,757' - 3,763' with ± 100 sx cement, wait on cement overnight.
28. Drill out cement with mill tooth bit, test to 1000#.
29. If pressure holds, continue, if pressure drops, re-squeeze perforations.
30. Drill and clean out to casing shoe at $\pm 4,140'$, continue to TD at $\pm 4,150'$.
31. Mix mud and TOH with tubing and bit.
32. PU carbide insert bit, TIH with bit, drill collars and tubing to TD.
33. Commence drilling ahead. Estimated scenario: Drill $\pm 1,000'$ at ± 5 feet per hour, drill ± 12 hours per day for ± 7 days. New TD @ $\pm 5,100'$.
34. Log new hole, run tubing from TD to surface, cement tubing.
35. Perforate, swab, test.
36. Frac, swab, test.
37. Swab, clean out with coiled tubing as needed.

**GRYNBERG 32 STATE #4
C SENW Sec 32-5S-24E**

**PECOS SLOPE FIELD
CHAVES COUNTY, NM**

DEEPENING PROCEDURE

Surface Casing: 10 3/4" 32# @ 908' w/600 sx
Production Casing: 4 1/2" 10.5# @ 4,126' w/1500 sx
Production Tubing: 2 3/8" @ 3,797'
Total Depth: 4,136'
Plug Back TD: 4,050'
Perforations: 3,850' - 3,878' & 3,937' - 3,942' w/1 SPF

Proposal: Jack J. Grynberg proposes to squeeze the existing Abo perforations, deepen the Grynberg 32 State #4 well thru the Pennsylvanian Granite Wash formation and test this zone for commercial productivity.

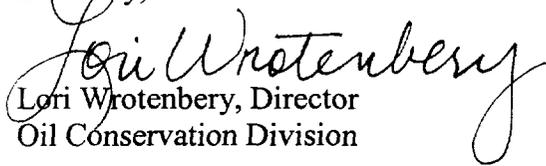
1. MIRU Service Rig.
2. Circulate hole with fresh water.
3. Trip out of hole with 2 3/8" tubing.
4. NU 7 1/16" 5000# BOP's.
5. Trip in hole with retrievable bridge plug, set RBP at $\pm 3,900'$, test.
6. Drop 1 sack sand on top of RBP. Wait 1 hour to fall.
7. TIH with squeeze packer, set pkr at $\pm 3,825'$.
8. Pump into formation, establish rate.
9. Squeeze perms at 3,850' - 3,878' with ± 100 sx cement, wait on cement overnight.
10. Drill out cement with mill tooth bit, test to 1000#.
11. If pressure holds, continue, if pressure drops, re-squeeze perforations.
12. Trip out of hole with pkr.
13. Circulate sand off top of RBP.
14. Re-set RBP @ $\pm 3,965'$, test.
15. Drop 1 sack sd on top of RBP. Wait 1 hour to fall.
16. TIH with squeeze packer, set pkr at $\pm 3,910'$.
17. Pump into formation, establish rate.
18. Squeeze perms at 3,937' - 3,942' with ± 100 sx cement, wait on cement overnight.
19. Drill out cement with mill tooth bit, test to 1000#.
20. If pressure holds, continue, if pressure drops, re-squeeze perforations.
21. Drill and clean out to casing shoe at $\pm 4,126'$, continue to TD at $\pm 4,136'$.
22. Mix mud and TOH with tubing and bit.
23. PU carbide insert bit, TIH with bit, drill collars and tubing to TD.
24. Commence drilling ahead. Estimated scenario: Drill $\pm 1,000'$ at ± 5 feet per hour, drill ± 12 hours per day for ± 7 days. New TD @ $\pm 5,100'$.
25. Log new hole, run tubing from TD to surface, cement tubing.
26. Perforate, swab, test.
27. Frac, swab, test.
28. Swab, clean out with coiled tubing as needed.

Grynberg & Tannous
June 6, 2001
Page 2

I will hold any further enforcement of Order No. R-11518 in abeyance for six months so that you can pursue the project. At that time, I will revisit the issue. If the wells are still out of compliance, I will at that time revoke the C-101s and take further appropriate enforcement action as contemplated under decretal paragraph 4 of the Order.

I wish you luck in your project. I sincerely hope it is successful.

Sincerely,


Lori Wrotenbery, Director
Oil Conservation Division

Cc: David P. Brooks, Assistant General Counsel
Stephen C. Ross, Assistant General Counsel
Tim Gum, Supervisor, Artesia District
James E. Kirk, 11927 Menaul Blvd. #201, Albuquerque, New Mexico 87112

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. K. John Tannous
 Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x *Tami Ramnitz*

- Agent
 Addressee

B. Received by (Printed Name)

Tami Ramnitz

C. Date of Delivery

12/28

- D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

- Yes

2. Article Number

(Transfer from service label)

7001 1940 0004 7923 3682

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Jack J. Grynberg
 c/o Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

COMPLETE THIS SECTION ON DELIVERY

A. Signature

Tami Ramnitz Agent
 Addressee

B. Received by (*Printed Name*)

Tami Ramnitz

C. Date of Delivery

12/28

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (*Extra Fee*) Yes

2. Article Number

7001 1940 0004 7923 3699

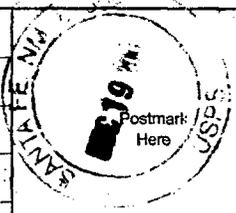
(*Transfer from service label*)

CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

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OFFICIAL USE

| | |
|---|-----------|
| Postage | \$ |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ |



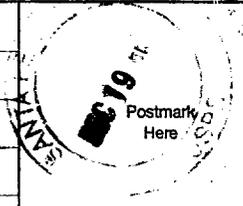
Sent To Mr. K. John Tannous
Street, Apt. No.; or PO Box No. Grynberg Petroleum Company
City, State, ZIP+4 5000 South Quebec, Ste. 500
Denver, CO 80237-2707

CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7001 1940 0004 7923 3699

OFFICIAL USE

| | |
|---|-----------|
| Postage | \$ |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ |



Sent To Mr. Jack, J. Grynberg
 c/o Grynberg Petroleum Company
 Street, Apt. No.;
 or PO Box No. 5000 South Quebec, Suite 500
 City, State, ZIP+ 4 Denver, CO 80237-2707



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

December 19, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Mr. Jack J. Grynberg
c/o Grynberg Petroleum Company
5000 South Quebec, Suite 500
Denver, CO 80237-2707

Re: Case No. 12457
Order No. R-11518; Requiring Jack J. Grynberg to Properly Plug and
Abandon Five Wells in Chaves County, New Mexico

VIA CERTIFIED MAIL; RETURN RECEIPT REQUESTED

Dear Mr. Grynberg:

Reference is made to a letter dated June 6, 2001 from Hon. Lori Wrotenbery, Director of the OCD, to you and your counsel, Mr. K. John Tannous, copy of which is attached hereto.

By that letter you were advised that enforcement of Division Order No. R-11518 (copy attached) requiring you to properly plug and abandon five wells would be suspended for six months to allow you time to complete the deepening of two of these wells to test their feasibility for production in another formation.

The six months period of suspension has now passed, and recent field inspections indicate that no progress has been made with the proposed operations. Accordingly, we must now again demand that these wells be plugged and abandoned in accordance with Order No. R-11518 within thirty (30) days from the date of this letter. Otherwise the Division will file an application pursuant to NMSA 1978 Section 70-2-31 for assessment of civil penalties on account of your failure to comply with Order No. R-11518. In addition, the Division may proceed to plug these wells, in which event your bond will be forfeited, and you will be held responsible for any costs incurred by the Division in excess of the amount recovered on your bond.

By letter dated May 23, 2001, Mr. Tannous raised a question about your receipt of notice of the January 11, 2001 hearing which eventuated in the issuance of Order No. R-11518. In this connection, your attention is directed to Division Rule 1209 [19 NMAC 15.N.1209] which authorizes continuance of a hearing to a date certain by announcement

to that effect at a noticed hearing, without further notice of the continued hearing. Mr. Tannous' letter of May 23, 2001 concedes that you received notice of the hearing originally scheduled for July 27, 2000. Division records indicate that the hearing was continued on July 27, 2000 to October 5, 2000, and that on October 5, 2000, the hearing was continued to January 11, 2001.

If your counsel has further questions about this matter, he should contact me at the Santa Fe office of the Division, at (505)-476-3450.

Very truly yours,



David K. Brooks
Assistant General Counsel

cc: K. John Tannous, Esq., General Counsel, Grynberg Petroleum Company
Hon. Lori Wrotenbery, Director, OCD
Tim Gum, District Supervisor, District II, OCD

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Jack J. Grynberg
 c/o Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

COMPLETE THIS SECTION ON DELIVERY

David Bunkle

- A. Signature Agent
 Addressee
- B. Received by (Printed Name) C. Date of Delivery
- D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label)

7001 1940 0004 7923 3699

PS Form 3811, August 2001

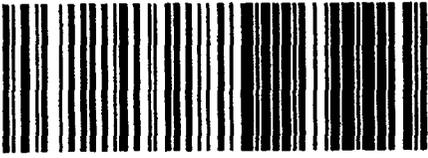
Domestic Return Receipt

102595-01-M-2509

7001 1940 0004 7923 3699

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

CERTIFIED MAIL



7001 1940 0004 7923 3699

7001 1940 0004 7923 3699

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only: No Insurance Coverage Provided)

OFFICIAL USE

| | |
|--|----|
| Postage | \$ |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ |

Postmark Here

Sent to Mr. Jack, J. Grynberg
 c/o Grynberg Petroleum Company
 Street, Apt. No.: 5000 South Quebec, Suite 500
 or PO Box No.
 City, State, Zip+4 Denver, CO 80237-2707

PS Form 3800, January 2001

See Reverse for Instructions

David Brooks

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

7001 1940 0004 7923 3682

102595-01/M-2500

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only: No Insurance Coverage Provided)

OFFICIAL USE

| | | |
|--|--|---------------|
| Postage \$ | | Postmark Here |
| Certified Fee | | |
| Return Receipt Fee (Endorsement Required) | | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees \$ | | |

Sent to Mr. K. John Tannous
 Grynberg Petroleum Company
 Street, Apt. No.; or PO Box No.
 City, State, ZIP+4
 Denver, CO 80237-2707

PS Form 3800, January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. K. John Tannous
 Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

2. Article Number
 (Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

CERTIFIED MAIL
 PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE



7001 1940 0004 7923 3682

7001 1940 0004 7923 3682

GRYNBERG PETROLEUM COMPANY

PRENTICE POINT, SUITE 500 ● 5299 DTC BOULEVARD ● GREENWOOD VILLAGE, COLORADO 80111-3321, USA ● PHONE 303-850-7490

E-MAIL: grynpetro@ .com FAX: 303-850-7498

grynberg

December 19, 2001

Ms. Lori Wrotenbery
Director of Oil Conservation Division
State of New Mexico
Department of Energy, Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 12457
Order No. R-11518

01 Dec 25 10:07 AM '01

Dear Ms. Wrotenbery

I realize the extension you have given on the above case is expired, but I want to assure you that we have not been sitting idle. This year alone we have drilled jointly with Yates Petroleum thirteen (13) wells. Seven (7) wells went all the way to the Precambrian basement and of those, one well was completed as a commercial gas well from the Basal Penn/Granite Wash Reservoir, #7 Grynberg LZ State, Sec. 36, T55 R24E. This well produced briefly in April and May of this year but was subsequently plugged back and completed in the Abo. The other six (6) wells, #2 Gyp 'MO' Federal Comm. Sec. 35, T5S-R24E, #4 Grafa 'RW' Federal Sec. 35, T5S-R24E, #8 Grynberg 'LZ' State Sec. 36, T5S-R24E, #5 Grynberg 'LZ' State Sec. 36, T5S-R24E, #6 Grynberg 'LZ' State Sec. 36, T5S-R24E, and #2 Five Mile Draw-Federal Comm. Sec. 34, T6S-R25E were tested in perspective reservoirs in the Cisco, Strawn or Granite Wash but none have been found to be commercial.

In addition to the above work it is our intention to drill two (2) wells all the way to the Precambrian as well as evaluate the lower Pennsylvania Granite Wash potential.

On the wells subject to the granted extensions, we are now starting to solicit bids and after the first of the year plan to plug these wells.

Ms. Lori Wrotenbery
December 20, 2001
Page 2

Thank you for your patience and cooperation.

Sincerely yours,

GRYNBERG PETROLEUM COMPANY



Jack J. Grynberg
President & CEO

JJG:bal



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 6, 2002

Mr. Jack J. Grynberg
c/o Grynberg Petroleum Company
5000 South Quebec, Suite 500
Denver, CO 80237-2707

Re: Case No. 12457
Order No. R-11518; Requiring Jack J. Grynberg to Properly Plug and
Abandon Five Wells in Chaves County, New Mexico

VIA CERTIFIED MAIL; RETURN RECEIPT REQUESTED

Dear Mr. Grynberg:

On December 19, 2001, I advised you of the necessity of compliance with Division Order No. R-11518 (copy attached) requiring you to properly plug and abandon five wells in Chaves County, New Mexico.

Although neither you nor your counsel ever responded directly to the referenced letter, by letter to the Director dated December 19, 2001, you indicated that you planned to plug these wells "after the first of the year."

The Division's final order, of which you have been repeatedly informed, required that these wells be plugged by March 1, 2001! THE DIVISION CANNOT TOLERATE FURTHER DELAY. If these wells are not plugged within thirty (30) days from the date of this letter, we will ask the Attorney General of New Mexico to commence legal action against you to secure a mandatory injunction requiring compliance with Order No. R-11518, and seeking recovery of the contingent civil penalties provided in said order.

Please contact the Artesia District Office prior to commencing plugging operations so that these operations can be witnessed.

If your counsel has further questions about this matter, he should contact me at the Santa Fe office of the Division, at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc: K. John Tannous, Esq., General Counsel, Grynberg Petroleum Company
Hon. Lori Wrotenbery, Director, OCD
Tim Gum, District Supervisor, District II, OCD

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

| | | |
|----------------------------|----|------|
| Weight | \$ | 8505 |
| Registered Mail Fee | | 8505 |
| Endorsement Fee (Required) | | 0 |
| Delivery Fee (Required) | | 0 |
| Total Postage & Fees | \$ | 93 |

Postmark Here

Send to: Mr. John Tammus, Esq.
C. J. TAMMUS & COMPANY
Street, Apt. No.: 5009 South Quebec, Suite 500
PO Box No.

City, State, ZIP+4 Denver, CO 80237-2707
PS Form 3806, January 2001 See Reverse for Instructions

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

1220 South Saint Francis Drive
 P.O. Box 6429
 Santa Fe, New Mexico 87505-5472

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
 OF THE RETURN ADDRESS. FOLD AT DOTTED LINE
CERTIFIED MAIL



7001 1940 0004 7919 4884
 7001 1940 0004 7919 4884

Mr. Jack J. Grynberg
 c/o Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

| | |
|--|--|
| Postage \$ | |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| (Restricted Delivery Fee (Endorsement Required)) | |
| Total Postage & Fees \$ | |

Postmark Here

Sent To: Mr. Jack J. Grynberg
 Street, Apt. No., or PO Box No.: c/o Grynberg Petroleum Co., 5000 Quebec, Ste. 500
 City, State, Zip+4: Denver, CO 80237-2707
 PS Form 3800, January 2001 See Reverse for Instructions

Donald Brown

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Jack J. Grynberg
c/o Grynberg Petroleum, Co.
5000 South Quebec, Suite 500
Denver, CO 80237-2707

2. Article Number

7001 1940 00047919 4884

(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

- Agent
- Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

Mail Provides:

9 receipt
a identifier for your mailpiece
ure upon delivery
1 of delivery kept by the Postal Service for two years

Reminders:

1 Mail may ONLY be combined with First-Class Mail or Priority Mail.
1 Mail is not available for any class of international mail.
SURANCE COVERAGE IS PROVIDED with Certified Mail. For
s, please consider Insured or Registered Mail.
additional fee, a Return Receipt may be requested to provide proof of
To obtain Return Receipt service, please complete and attach a Return
(PS Form 3811) to the article and add applicable postage to cover the
one mailpiece "Return Receipt Requested". To receive a fee waiver for
ate return receipt, a USPS postmark on your Certified Mail receipt is
additional fee, delivery may be restricted to the addressee or
ee's authorized agent. Advise the clerk or mark the mailpiece with the
ment "Restricted Delivery".
mark on the Certified Mail receipt is desired, please present the arti-
he post office for postmarking. If a postmark on the Certified Mail
is not needed, detach and affix label with postage and mail.
NT: Save this receipt and present it when making an inquiry.

100, January 2001 (Reverse)

102595-M-01-2425

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Jack J. Grynberg
 c/o Grynberg Petroleum, Co.
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Claudia

- Agent
 Addressee

B. Received by (Printed Name)

Claudia Pareco's

C. Date of Delivery

03/13/02

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

2. Article Number

7001 1940 00047919 4834

(Transfer from service label)

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. K. John Tannous, Esq.
 c/o Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 denver, CO 80237-2707

2. Article Number

(Transfer from service label)

7001 1940 0004 7919 4877

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Claudia Agent Addressee

B. Received by (Printed Name)

Claudia Paredes

C. Date of Delivery

*03/13/02*D. Is delivery address different from item 1? YesIf YES, enter delivery address below: No

3. Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only. No Insurance Coverage Provided)

OFFICIAL USE

| | | |
|---|----|-------|
| Postage | \$ | |
| Certified Fee | | |
| Return Receipt Fee (Endorsement Required) | | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ | 65.48 |

Postmark
Here

Sent To Mr. Jack Grynberg

Street, Apt. No.: S/O Grynberg Petroleum Co.
PO Box No. 500 Quebec, Ste 300

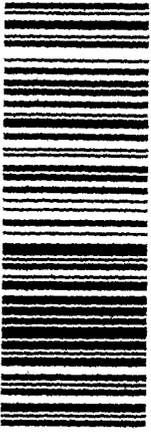
City, State, ZIP+4 Denver, CO 80237-2707

PS Form 3800, January 2001 See Reverse for Instructions

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

1220 South Saint Francis Drive
 P.O. Box 6429
 Santa Fe, New Mexico 87505-5472

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
 OF THE RETURN ADDRESS. FOLD AT DOTTED LINE
CERTIFIED MAIL



700J 3940 0004 7919 4877
 700J 3940 0004 7919 4877

K. John Tannous, Esq.,
 General Counsel
 c/o Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 Denver, CO 80237-2707

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only: No Insurance Coverage Provided)

OFFICIAL USE

| | |
|--|----|
| Postage | \$ |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ |

Postmark Here

Sent to Mr. K. John Tannous, Esq.
 c/o Grynberg Petroleum Company
 Street, Apt. No.,
 or PO Box No. 5000 South Quebec, Suite 500
 City, State, ZIP+4 Denver, CO 80237-2707

PS Form 3800, January 2001
 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Mr. K. John Tannous, Esq.
 c/o Grynberg Petroleum Company
 5000 South Quebec, Suite 500
 denver, CO 80237-2707

COMPLETE THIS SECTION ON DELIVERY

David Brown

A. Signature Agent
 Addressee

B. Received by (Printed Name) Agent
 Addressee

C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail

Registered Return Receipt for Merchandise

Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number **7001 1940 0004 7919 4877**
 (Transfer from service label)

PS Form **3811**, August 2001 Domestic Return Receipt 102595-01-M-2509

PS Mail Provides: Billing receipt
 que identifier for your mailpiece
 nature upon delivery
 ord of delivery kept by the Postal Service for two years

nt Reminders: PS Mail may ONLY be combined with First-Class Mail or Priority Mail.
 ed Mail is not available for any class of international mail.
 INSURANCE COVERAGE IS PROVIDED with Certified Mail.
 ies, please consider Insured or Registered Mail.

n additional fee, a Return Receipt may be requested to provide proc
 ry. To obtain Return Receipt service, please complete and attach a Ret
 ct (PS Form 3811) to the article and add applicable postage to cover
 ndorse mailpiece "Return Receipt Requested". To receive a fee waiver
 icate return receipt, a USPS postmark on your Certified Mail receipt
 ad.

in additional fee, delivery may be restricted to the addressee
 ssee's authorized agent. Advise the clerk or mark the mailpiece with
 sment "Restricted Delivery".
 mark on the Certified Mail receipt is desired, please present the a
 the post office for postmarking. If a postmark on the Certified M
 it is not needed, detach and affix label with postage and mail.

ANT: Save this receipt and present it when making an inquiry
 102595-M-01-2425 3800, January 2001 (Reverse)

GRYNBERG PETROLEUM COMPANY

Prentice Point, Suite 500
5299 DTC Boulevard
Greenwood, Village, CO 80111 - 3321
Phone: 303-850-7490
Fax: 303-850-7498
E-mail: grynpetro@grynberg.com

Fax

Assistant Gen Counsel

To: David K Brooks From: Ken McKinney

Fax: 505 476 3462 Date: April 5, 2002

Phone: _____ Pages: 2

Re: _____ CC: _____

Urgent For Review Please Comment Please Reply Please Recycle

*Note copy of check to Mayo Mans for
\$ 23000 advance payment to plug 7 wells
in New Mexico.*

Tear Along Perforation

GRYNBERG PETROLEUM COMPANY

20268

GENERAL ACCOUNT
PRENTICE POINT, SUITE 500
5209 DTC BOULEVARD
GREENWOOD VILLAGE, CO 80111-3321
PH (303) 850-7480



Wells Fargo Bank West, N.A.
Denver PCS
1740 Broadway
Denver, CO 80274
www.wellsfargo.com

23-7-1020

DATE April 5, 2002

PAY THE SUM 23000.00 DOLLARS \$ 23,000.00

TO THE ORDER OF Mayo Marrs Casing Pulling, Inc.
P. O. Box 863
Kermit, TX 79745

⑈020268⑈ ⑆ ⑆02000076⑆ ⑆010854360⑈

GRYNBERG PETROLEUM COMPANY
GENERAL ACCOUNT

DETACH AND RETAIN THIS STATEMENT
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW.
IF NOT CORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED.

DELUXE BUSINESS FORMS 1-800-838-0304 www.deluxeforms.com

DELUXE - FORM WVCG-3 V-2

| DATE | DESCRIPTION | AMOUNT |
|------|---|--------------|
| | Advance on Plugging & Abandonment Costs of the following: | \$ 23,000.00 |
| | Horse Creek State # 2 | |
| | Hobbs Canyon Fed # 1 | |
| | Grynberg 16 State # 1 | |
| | " 16 State # 3 | |
| | " 16 State # 4 | |
| | " 32 State # 3 | |
| | " 32 State # 4 | |

V-2