

OIL CONSERVATION DIV.

1106 N. Country Club
Carlsbad, NM 88220
August 14, 2001

Mr. Jack Rose
Beach Exploration

Re: Beach JIB010731 and Force Pooling of the M & W Well and West High Lonesome Water Flood.

Dear Mr. Rose:

Beach Exploration has thrice bypassed their attorney, James Bruce, in contacting me. I believe I should also have that privilege for reverse contact.

I have enclosed a letter dated August 13, 2001, sent to the New Mexico Oil Conservation Division, with Beach's Joint Owner Billing JIB010731, requesting the NMOCD's consideration of the charges Beach is leveling against the Taylors. I believe the letter gives my interpretation of a faulty Beach JIB. I am enclosing a check for both my and Harvey Taylor's interest charges, for the costs we do not contest, in the amount of \$18.78 (\$16.28 + \$2.50).

Please accept my statements hereafter as a sincere effort at positive, constructive, discussion. Beach Exploration has been trying the tactic of steam-rolling and/or railroading to get their desired Water Flood, expecting to overrun and burst small pebbles as myself. It would not have been necessary, nor was it even a well thought-out, wise move on Beach's part.

First: The M & W was the only well of the water flood requiring individual force pooling. Beach's tactic of threatening Mr. Herb Spencer and working interests of being force pooled at 500% non-consent or accept Beach's price for the well was ill advised; as some of the working interest owners will need to go non-consent. The 500% was such an overkill, it could be nothing but a threat, and attempt at property confiscation. Beach traded out some of the interior working interest owners to over-riding interest owners; the M & W was not given the option. Mr. Spencer evaluated the M & W, and had it independently evaluated by a recognized local consultant, appraiser, oil man; both figures were approximately twice what Beach offered. Beach made no effort to negotiate the difference with the M & W. The oil is there, the venture will pay more than it's cost **if operated properly!** Very poor Beach tactics and judgment!

Mr. Spencer, learning by constantly driving through present Beach operations and seeing what he considered unnecessary costly operating tactics, cowed to Beach's price to prevent "being operated to death". No one would purchase the M & W once they knew Beach was to be the operator. One, who had converted from working interest to overriding royalty, laughed in Mr. Spencer's face; another man who has done considerable work for Beach, stated to Taylor that Beach didn't have qualified field personnel, and any ownership he obtained would keep him mad, and cause him to have bleeding ulcers within six months. He admitted he had not met nor worked for Mr. Jack Rose, yet.

Once Beach had obtained a commitment of 75% of the M & W from Mr. Spencer, the remaining 25% working interest was not worth force-pooling and should have been compromisingly negotiated, splitting the difference as I tried to do! Beach would have paid an additional \$900 and the Taylors would have sold at a \$900 loss. Or we could have agreed upon what to ask of the NMOCD. But Beach had their steam roller fired up to squash the remaining few small interest owners of the M & W. Unnecessary and poor judgment! Is this Beach "modus operandi"?

Know I am opposed to taking our Eastern New Mexico neighbors only major source of drinking water, and injecting it in water floods. We need to find other sources for flooding that do not work toward depleting a very limited and necessary source of water, the Ogallala formation.

Beach's accounting and clerical integrity indicate a lack of control and supervision over critical areas of operating. I am hoping your "coming on board with Beach" will make a difference in their field work. As an ex-construction hand and Superintendent/Erector, I size you up as being very capable, a listener in order to be a better supervisor, therefore I am taking time to write to you in respect.

Please review the JIB and see if you can agree that the great majority of the charges are not properly the Taylor's. That could be another positive action between us. Thank you for your response to Mr. Catanach's request for a more detailed AFE; the next time I would like to have a copy of the one presented Mr. Beach, himself, however.

Sincerely,

Bill Taylor
Harvey Taylor

Bill Taylor & Harvey Taylor

copy: NMOCD
enclosures