

1106 N. Country Club Cir.
Carlsbad, NM 88220
August 13, 2001

Mr. David Catanach
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Cases 12684 and 12685; and Beach Exploration JIB010731

Dear Mr. Catanach:

We request the NMOCD's aid and consideration for Beach's JIB010731. We dispute the Net Totals requested of Bill G. and Harvey R. Taylor in said billings, however, much of the information provided is appreciated. It proves it will be almost impossible for force pooled interests to participate under Beach's Operating Agreement (Exhibit 3 or 8), as forced pooled interests are not participating the same as voluntary participation. Mr. Ernest Carroll, Yates attorney in case 12683, stated there were numerous different Operating Agreements "out there". Beach's is of their choosing and discretion. With voluntary participation, interest owners have the choice to participate under the terms of the operator's choosing, or stay out! Force pooled do not!

Consider the referenced, enclosed Beach's JIB. Beach is billing the Taylors for TANGIBLE ACP, 010705, WI PURCHASE from H & S Oil, LLC; Beach states their GROSS cost for the tangible interest purchased to be \$4875.00, and bill the Taylors \$633.75 and \$97.50.

LEASEHOLD COST, 010705, to H & S Oil, for MISCELLANEOUS LEASEH, is stated by Beach to be worth \$4875.00 and again \$633.75 and \$97.50 is charged to the Taylors. Beach is also charging the Taylors for filing Beach's acquisitions with the BUREAU OF LAND MANAGEMENT.

These charges are Beach's own ownership acquisitions of other's well bore and equipment working interests through H & S Oil, and ignore the facts the Taylor's ownerships are already bought and paid for by the Taylors, including filing fees therewith (others have also). These Beach's billings should not be properly chargeable to the Taylors, or other forced pooled owners. The beneficial part of Beach's billing is it establishes Beach's own values for well and equipment. Beach is trying to take the Taylors for a Beach bonus of 13%, no costs attached!

LEASE OPERATION has erroneous costs to the Taylors. The EDDY COUNTY CLERK filings must be Beach's recording their own interest purchases, I'm not sure which period of time the pumper is billing for (the well remained in limbo, no pumping, for some time while Beach and H & S negotiated). 010703, PURCH OIL IN TANKS, WI Share, bills the Taylors \$106.21 and \$16.34. Beach did NOT purchase from H & S Oil, our or the other force pooled interest owner's share of the oil already produced and waiting sales. It was left in the tank and Beach purchased only the oil of the working interest owners who sold their interests to Beach! The Taylors do not owe Beach for any oil.

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The Taylors owe the AD Valorem Tax and the Pumping/Gauging if the well was produced. This amounts to totals of \$16.28 and \$2.50. There is considerable difference between this and Beach's \$1400.13 and \$215.40 billings.

We have never been billed by Beach before, but see why Mr. Herb Spencer would not remain and participate because of Beach's operating expenses and billings. The Oil Conservation Division deals in costs and accounting with oil and gas constantly! Which part of the JIB should the Taylors pay?

Contrary Beach's attorney James Bruce's statement the Taylors just "want more money", what we seek is fairness for all. Our ownerships are for sale at a very reduced price to someone who has the time, capability, and will keep Beach's operations honest and accurate.

Sincerely,

Bill G. Taylor
Harvey R. Taylor

Bill G. & Harvey R. Taylor

enclosures, 4 pages

*Rec'd 8/11/2001
Pay. 1.5.2*

Beach Exploration, Inc.
800 N. Marienfeld, Suite 200
Midland, TX 79701-3382
(915) 683-6226

STMT NO. JIB010731

JOINT OWNER STATEMENT

STMT DATE 07/31/2001
OWNER 8111135

BILL G. TAYLOR
1106 N. COUNTRY CLUB CIRCLE
CARLSBAD, NM 88220-4613

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REFERENCE DESCRIPTION DATE BALANCE FWD DEBIT CREDIT BALANCE

BALANCE FORWARD 0.00
**** BALANCE AFTER PAYMENTS **** 0.00

**** CURRENT INVOICES ****

PROPERTY#	PROPERTY NAME	INTEREST	LEASEHOLD	INTANGIBLE	EQUIPMENT	OPERATING	OTHER	NET TOTAL
591130-0000	M & W FEDERAL	0.13000000	640.25		633.75	126.13		1,400.13
	* TOTALS *		640.25		633.75	126.13		1,400.13
								**** TOTAL DUE **** 1,400.13

----- CURRENT -----	30 DAYS	60 DAYS	90 DAYS	120 DAYS
1,400.13	0.00	0.00	0.00	0.00

Rec'd's
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Beach Exploration, Inc.

JOINT OWNER INVOICE

INVOICE NO. 175911300000

8111135 BILL G. TAYLOR

INVOICE DATE 07/31/2001

PROPERTY 591130-0000 M & W FEDERAL

STATE: NM COUNTY: EDDY

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REFERENCE	VENDOR	DESCRIPTION	INTEREST	TYPE	GROSS	YOUR SHARE
TANGIBLE ACP						
010705	H & S OIL LLC	PURCHASE WI	0.13000000		4,875.00	633.75
		TOTAL TANGIBLE ACP			4,875.00	633.75
LEASEHOLD COST						
010703	BUREAU OF LAND MANAGMENT	LEGAL, FILING, ASSIG	0.13000000		50.00	6.50
010705	H & S OIL LLC	MISCELLANEOUS LEASEH	0.13000000		4,875.00	633.75
		TOTAL LEASEHOLD COST			4,925.00	640.25
LEASE OPERATING						
010703	H & S OIL LLC	Ad-Valorem Tax	0.13000000		8.30	1.08
010703	H & S OIL LLC	PURCH OIL IN TANKS-WI SHA PURCH OIL IN TANKS-W	0.13000000		817.01	106.21
1165	ASPEN PUMPING SERVICE	Pumping/Gauging	0.13000000		116.94	15.20
010628	EDDY COUNTY CLERK	Recording Fee	0.13000000		15.00	1.95
010628	EDDY COUNTY CLERK	Recording Fee	0.13000000		13.00	1.69
		TOTAL LEASE OPERATING			970.25	126.13
		TOTAL BILLABLE AMOUNT			10,770.25	1,400.13

Beach Exploration, Inc.
 800 N. Marienfeld, Suite 200
 Midland, TX 79701-3382
 (915) 683-6226

STMT NO. JIB010731

JOINT OWNER STATEMENT

STMT DATE 07/31/2001
 OWNER 8111137

HARVEY TAYLOR
 1106 N. COUNTRY CLUB CIRCLE
 CARLSBAD, NM 88220-4613

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REFERENCE	DESCRIPTION	DATE	BALANCE FWD	DEBIT	CREDIT	BALANCE
	BALANCE FORWARD					0.00
			**** BALANCE AFTER PAYMENTS ****			0.00

**** CURRENT INVOICES ****

PROPERTY#	PROPERTY NAME	INTEREST	LEASEHOLD	INTANGIBLE	EQUIPMENT	OPERATING	OTHER	NET TOTAL
S91130-0000	M & W FEDERAL	0.02000000	98.50		97.50	19.40		215.40
	* TOTALS *		98.50		97.50	19.40		215.40
					**** TOTAL DUE ****			215.40
		----- CURRENT -----	30 DAYS	----- 60 DAYS -----	90 DAYS	----- 120 DAYS -----		
		215.40	0.00	0.00	0.00	0.00		

8111137 HARVEY TAYLOR

INVOICE DATE 07/31/2001

PROPERTY 591130-0000 M & W FEDERAL

STATE: NM COUNTY: EDDY

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REFERENCE	VENDOR	DESCRIPTION	INTEREST	TYPE	GROSS	YOUR SHARE
T A N G I B L E A C P						
010705	H & S OIL LLC	PURCHASE WI	0.02000000		4,875.00	97.50
		TOTAL T A N G I B L E A C P			4,875.00	97.50
L E A S E H O L D C O S T						
010703	BUREAU OF LAND MANAGMENT	LEGAL, FILING, ASSIG	0.02000000		50.00	1.00
010705	H & S OIL LLC	MISCELLANEOUS LEASEH	0.02000000		4,875.00	97.50
		TOTAL L E A S E H O L D C O S T			4,925.00	98.50
L E A S E O P E R A T I N G						
010703	H & S OIL LLC	Ad-Valorem Tax	0.02000000		8.30	0.16
010703	H & S OIL LLC	PURCH OIL IN TANKS-WI SHA PURCH OIL IN TANKS-W	0.02000000		817.01	16.34
1165	ASPEN PUMPING SERVICE	Pumping/Gauging	0.02000000		116.94	2.34
010628	EDDY COUNTY CLERK	Recording Fee	0.02000000		15.00	0.30
010628	EDDY COUNTY CLERK	Recording Fee	0.02000000		13.00	0.26
		TOTAL L E A S E O P E R A T I N G			970.25	19.40
		TOTAL BILLABLE AMOUNT			10,770.25	215.40