

KWW

**DOYLE HARTMAN**

*Oil Operator*

500 NORTH MAIN

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**Via FedEx**

July 9, 1998

Richard R. Frazier, President & Chief Operating Officer  
Gruy Petroleum Management Company  
600 E. Las Colinas Blvd., Suite 1200 (75039)  
P.O. Box 140907  
Irving, TX 75014-0907

Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505

Armando Lopez, Assistant District Manager, Minerals  
Bureau of Land Management  
1717 W. Second  
Roswell, NM 88201

Re: NMOCD Memorandum of August 3, 1990  
Restricting Concurrent Well Production from Unprorated Gas SPUs

Dear Sirs and Madam:

Reference is made to our letters to Gruy Petroleum Management Company of May 21, 1998 and June 29, 1998, both of which pertained to the NMOCD's "**Memorandum to All Operators**" of August 3, 1990 (copy enclosed), which 1990 memorandum places certain production restrictions upon multi-well spacing and proration units in unprorated New Mexico gas pools (a pool classification that includes the Rhodes Gas Pool of T-26-S, R-37-E, Lea County, New Mexico).

Reference is also made to Byrom's New Mexico Statehouse Reporter dated July 6, 1998 (copy enclosed), which publication announces Gruy's Rhodes State Nos. 5 and 6 wells in Unit C and Unit N, respectively, of Section 16, T-26-S, R-37-E.

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Finally, reference is made to NMOCD Order R-9870 dated April 14, 1993, that created a 160-acre non-standard Rhodes SPU corresponding to the Meridian-operated Gregory "B" No. 2 well (A-15-26S-37E), which order further confirms that the "...Said pool is also governed by the two Division Memorandums dated July 27, 1988 and August 3, 1990, which disallow the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools..."

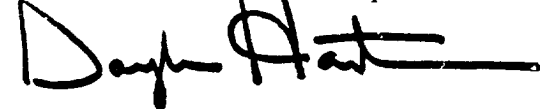
It is our interpretation of the NMOCD's August 3, 1990 memorandum that concurrent production of more than one well on an unprorated gas SPU can only be approved "...after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced..." As of this date, we are unaware of Gruy giving notice, or of hearings being held to obtain approval for an exception to the NMOCD's August 3, 1990 "Memorandum to All Operators".

Moreover, the Statehouse Reporter also shows that Gruy's State "Com" No. 6 well is filed as a Jalmat Tansill-Yates-7R well. Enclosed, please find a copy of NMOCD Order R-6891, which clearly reveals that Section 16, T-26-S, R-37-E has not been a part of the Jalmat Pool since January 1, 1982, at which time it was removed from the Jalmat Gas Pool and included as a part of the newly created Rhodes Gas Pool. Therefore, if the State "Com" No. 6 well has indeed been filed as a Jalmat well, we believe that the State "Com" No. 6 application needs to be promptly amended, with the State "Com" No. 6 well being properly shown to be in the Rhodes Gas Pool as per NMOCD Order R-6891.

Since Doyle Hartman is an owner of acreage within the boundaries of the Rhodes Gas Pool, we respectfully request that Gruy promptly inform us as to whether or not it intends to abide by existing NMOCD regulations regarding multi-well SPUs in the unprorated Rhodes Gas Pool. Since Gruy, to this date, has not provided a written response to our letters of May 21, 1998 and June 29, 1998, we are highly concerned that Gruy may be attempting to ignore the NMOCD's memorandums of July 27, 1988 and August 3, 1990.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending to the right.

Doyle Hartman

enclosures

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cc: New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505  
Attn: Michael Stogner, Chief Hearing Officer

New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505  
Attn: David R. Catanach, Petroleum Engineer Specialist

New Mexico Oil Conservation Division  
1000 W. Broadway (88240)  
P.O. Box 1980  
Hobbs, NM 88241  
Attn: Chris Williams, District Supervisor

Bureau of Land Management  
620 E. Green (88220)  
P.O. Box 1778  
Carlsbad, NM 88221-1778  
Attn: Richard L. Manus, Area Manager

Bureau of Land Management  
414 W. Taylor  
Hobbs, NM 88240  
Attn: Vince Balderaz, Lead Oil & Gas Inspector

Gruy Petroleum Management Company  
600 E. Las Colinas Blvd., Suite 1200 (75039)  
P.O. Box 140907  
Irving, TX 75014-0907  
Attn: Greg Jessup, Vice President Land

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Gruy Petroleum Management Company  
600 E. Las Colinas Blvd., Suite 1200 (75039)  
P.O. Box 140907  
Irving, TX 75014-0907  
Attn: Bill Mann, Operations Manager

Gruy Petroleum Management Company  
600 E. Las Colinas Blvd., Suite 1200 (75039)  
P.O. Box 140907  
Irving, TX 75014-0907  
Attn: Zeno Farris, Manager of Operation Administration

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Attn: Joe T. Janica, Agent

Reggie Resten, Production Supervisor  
Gruy Petroleum Management Company  
814 W. Marland (88240)  
P.O. Box 416  
Hobbs, NM 88240

James A. Davidson  
214 W. Texas, Suite 710  
Midland, TX 79701





STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-6300

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.