

**DOYLE HARTMAN**

*Oil Operator*  
500 NORTH MAIN  
P.O. BOX 10426  
MIDLAND, TEXAS 79702

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**RECEIVED**

MAR 25 2004

**Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505**

March 23, 2004

**CERTIFIED MAIL (RECEIPT NO. 7001 1140 0002 8323 1957) AND FEDEX**

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 So. St. Francis Drive  
Santa Fe, NM 87505

**Re: Administrative Application for Simultaneous Dedication**

**Mexico "E" Com No. 3 (Formerly Hobbs "K" No. 2)/Second Active Jalmat Well  
Mexico "E" Com No. 5 (Formerly Hobbs "L" No. 2)/Third Active Jalmat Well  
Mexico "E" Com No. 4 (Formerly Hobbs "L" No. 1)/Fourth Active Jalmat Well  
S/2S/2 Section 2, T-23-S, R-36-E  
Lea County, New Mexico  
[NMOCC Order No. R-424/160-acre Jalmat P.U.]**

Gentlemen:

The Doyle Hartman (formerly Skelly/Getty/Texaco) 160-acre Mexico "E" Com Jalmat P.U., consisting of the S/2S/2 Section 2, T-23-S, R-36-E, is situated in a localized area of Lea County where a significant potential exists for wellbores to develop shallow casing leaks.

In the late 1950's and early 1960's, at the time that the Langlie Mattix interval was being developed (as to this area of Lea County), the typical casing and cementing program consisted of setting 300' to 400' of 8 5/8" O.D. surface casing, and cementing the 5 1/2" O.D. long string with 250 sx to 500 sx of cement, which raised the long-string cement to a height of approximately 2000' to 2700'.

As a consequence, for a number of wells, the long string has remained uncemented, over a 1600' to 2400' vertical interval, for more than 40 years.

Although serious casing corrosion opposite the Salado Formation is not a common phenomena, casing corrosion above the Salado Formation can be a serious problem, if (1) the surface casing is set at an insufficient depth, (2) the upper portion of the long string is uncemented, (3) the

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
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unprotected long-string interval falls within the depth range of water bearing strata, and (4) there has been a sufficient passage of time for an extensive and concentrated loss of steel to occur.

In this regard, in 2002, it became apparent that our 160-acre Mexico "E" Com Proration Unit (80-acre Hobbs "K" Lease and 80-acre Hobbs "L" Lease) may possess a **lease-wide** shallow casing-leak problem, which was first emphasized as a result of a sudden and substantial 118 BPD increase in water production, that developed over a short three-day period, corresponding to our Mexico "E" Com No. 2 well. After expeditiously taking steps to confirm the existence of an upper long-string casing leak, as to the Mexico "E" Com No. 2, and to properly repair the leak, a casing integrity test was next performed corresponding to our temporarily-abandoned Hobbs "L" No. 2 well, with followup tests being performed corresponding to our Hobbs "K" No. 2 and Hobbs "L" No. 1 wells. All three (3) followup tests also revealed defective upper portions of the long strings.

As demonstrated by the herein-enclosed "Results and Cost" tabulation, summarizing the cost of our Mexico "E" Com wellbore repair and reserve enhancement work, the process of achieving a successful mechanical resolution of our Mexico "E" Com shallow long-string casing problems has been a quite costly endeavor. First, it was necessary to repair the defective upper portions of the long strings utilizing expensive **large-volume** squeeze jobs (1400 sx to 2700 sx per well), to make certain that the existing leaks and adjacent strata were thoroughly and properly sealed. However, because water production, from the lower part of the Queen, has also been a costly past lease operating problem, at the time that we were repairing the defective upper portions of the long strings, it was also deemed prudent to simultaneously address the lower wellbore situation, and attempt a repair of the costly produced-water problem, by deepening each well, running 4 1/2" O.D. flush-joint liners, and squeezing the 4 1/2" O.D. liners into place (utilizing high-rate **large-volume** squeeze jobs), so as to minimize future water production, from lower water-productive strata, and maximize the integrity of the lower wellbore.

Finally, in an effort to (1) accomplish a financial payout of the necessary mechanical repairs, and (2) bring remaining gas reserve recovery times into alignment with expected remaining wellbore life, each well completion interval was amended, so as to achieve full recovery of **all** remaining gas reserves, during the expected remaining wellbore life, with the amended completion intervals, of the four repaired wells, being depicted on the herein-enclosed cross-section C-C', and the amended completion interval of the structurally-higher Mexico "E" Com Nos. 2 and 3 wells, closely coinciding with the 52-year-old Y-7R-Qn producing intervals of the offsetting State "A" AC/1 Nos. 29 and 30 wells, as illustrated by the herein-enclosed four-well cross section B-B', covering portions of Sections 2, 3, and 11, T-23-S, R-36-E.

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
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Consequently, since the well completions for the Hobbs "K" No. 2, Hobbs "L" No. 2, and Hobbs "L" No. 1 have now been amended to include the Jalmat Pool interval, by copy of this letter, we hereby make application for administrative approval to simultaneously dedicate the Hobbs "K" No. 2 and Hobbs "L" No. 2 wells as the *second* and *third active* Jalmat producers, on our 160-acre Mexico "E" Com Jalmat P.U., consisting of the S/2S/2 Section 2, T-23-S, R-36-E, which two additional wells will bring the well spacing of the Mexico "E" Com Jalmat P.U. into alignment with the presently existing **average** well spacing of the offsetting Jalmat proration units. As part of this application, the Hobbs "K" No. 2 will be re-designated the Mexico "E" Com No. 3, and the Hobbs "L" No. 2 will be re-designated the Mexico "E" Com No. 5.

In addition, absent objection by offsetting Jalmat operators, for a third additional Jalmat well, we also seek administrative approval of our repaired Mexico "E" Com No. 4 (Hobbs "L" No. 1) well, as the *fourth active* Jalmat well, on our 160-acre Mexico "E" Com Jalmat P.U., so as to permit the recoupment of the significant well costs associated with the Mexico "E" Com No. 4 well, and recovery of lease reserves not otherwise recoverable by our Mexico "E" Com Nos. 2, 3 and 5 wells.

For your assistance in reviewing this application, please find enclosed herewith a color-coded Acreage Ownership Plat, that outlines (1) the subject 160-acre Mexico "E" Com Jalmat proration unit, (2) the location of the Mexico "E" Com Nos. 2, 3, and 5 wells (circled in red), (3) the location of our Mexico "E" Com No. 4 well (depicted by a red square), and (4) the location of offsetting Jalmat proration unit producers (also circled in red). Supplementing the herein-enclosed color-coded Acreage Ownership Plat is a companion table listing (by tract number and color code) all offsetting Jalmat (gas) proration units, corresponding Jalmat wells, and resulting **average** well spacing.

Approval of this application will prevent waste, by allowing for the optimal recovery of each well's total remaining gas reserves (including gas reserves from tighter Jalmat strata, within the Jalmat interval). Moreover, as is apparent from a quick review of the herein-enclosed color-coded plat, and companion table, approval of the repaired Mexico "E" Com Nos. 3 and 5 wells, as the *second* and *third active* Jalmat wells, on the Mexico "E" Com Jalmat P.U., will bring the well spacing of the Mexico "E" Com lease into alignment with the already-existing **average** well spacing of the surrounding Jalmat proration units, while the further approval of the repaired Mexico "E" Com No. 4 well, as a *fourth active* Jalmat well, will permit the recoupment of the well expenditures associated with the Mexico "E" Com No. 4 well, and ensure maximum recovery of remaining lease reserves. Lastly, approval of the subject application will allow a material portion of the remaining reserves to be recovered during the current period of reduced North American gas deliverability and tighter supplies.

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
March 23, 2004  
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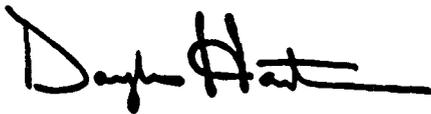
Notice of this administrative application, and our request for written waiver (as enclosed herewith), has been sent by certified mail to all **offset** Jalmat operators, which operators are as follows:

- 1) Quay Valley Inc.  
P.O. Box 10280  
Midland, Texas 79702  
Attn: Raymond Sharp, President  
**Certified Mail Receipt No. 7001 1140 0002 8323 1964 (Mailed March 23, 2004)**
  
- 2) Gruy Petroleum Mgmt. Co.  
P.O. Box 14097  
Irving, Texas 75014  
Attn: R. Douglas Cronk, Sr. V.P. Operations  
**Certified Mail Receipt No. 7001 1140 0002 8323 1971 (Mailed March 23, 2004)**
  
- 3) Mission Resources Corporation  
1331 Lamar, Suite 1455  
Houston, Texas 77010-3039  
Kent Rogers, V.P. Operations  
**Certified Mail Receipt No. 7001 1140 0002 8323 2022 (Mailed March 23, 2004)**
  
- 4) John H. Hendrix Corporation  
P.O. Box 3040  
Midland, Texas 79702  
Attn: John H. Hendrix, President  
Ronnie Westbrook, Vice President  
**Certified Mail Receipt No. 7001 1140 0002 8323 2015 (Mailed March 23, 2004)**  
**Certified Mail Receipt No. 7001 1140 0002 8323 1995 (Mailed March 23, 2004)**

We thank you for your thoughtful review of this matter.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman  
Owner

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
March 23, 2004  
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cc: Chris Williams, NMOCD District 1 Supervisor  
New Mexico Oil Conservation Division  
1625 French Drive  
Hobbs, New Mexico 88240

Gary Wink, OC Field Representative II/Staff Manager  
New Mexico Oil Conservation Division  
1625 French Drive  
Hobbs, New Mexico 88240

Andrea Wheeler, Automation & Records Bureau, OCD C-115  
New Mexico Oil Conservation Division  
1220 S. Saint Francis Drive  
Santa Fe, New Mexico 87505

J.E. Gallegos  
Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505

**DIVIDER PAGE**

**Existing Jalmat (Gas) Proration Unit**  
**Mexico "E" Com**  
 S/2 S/2 Section 2, T-23-S, R-36-E  
 Order No. R-424, 04/16/1954  
 (160 Acres)

**22S-36E**

**Infill Jalmat/LM (Gas) Well**  
 Mexico "E" Com No. 3  
 (Hobbs "K" No. 2)  
 660' FSL & 660' FWL (M)  
 Section 2, T-23-S, R-36-E  
 (Shallow Csg Leak)

**Existing Jalmat/LM (Gas) Well**  
 Mexico "E" Com No. 2  
 660' FSL & 1980' FWL (N)  
 Section 2, T-23-S, R-36-E  
 (Shallow Csg Leak)

**Infill Jalmat (Gas) Well**  
 Mexico "E" Com No. 4  
 (Hobbs "L" No. 1)  
 660' FSL & 660' FEL (P)  
 Section 2, T-23-S, R-36-E  
 (Shallow Csg Leak)

**Area of Potential Numerous Shallow Casing Leaks**

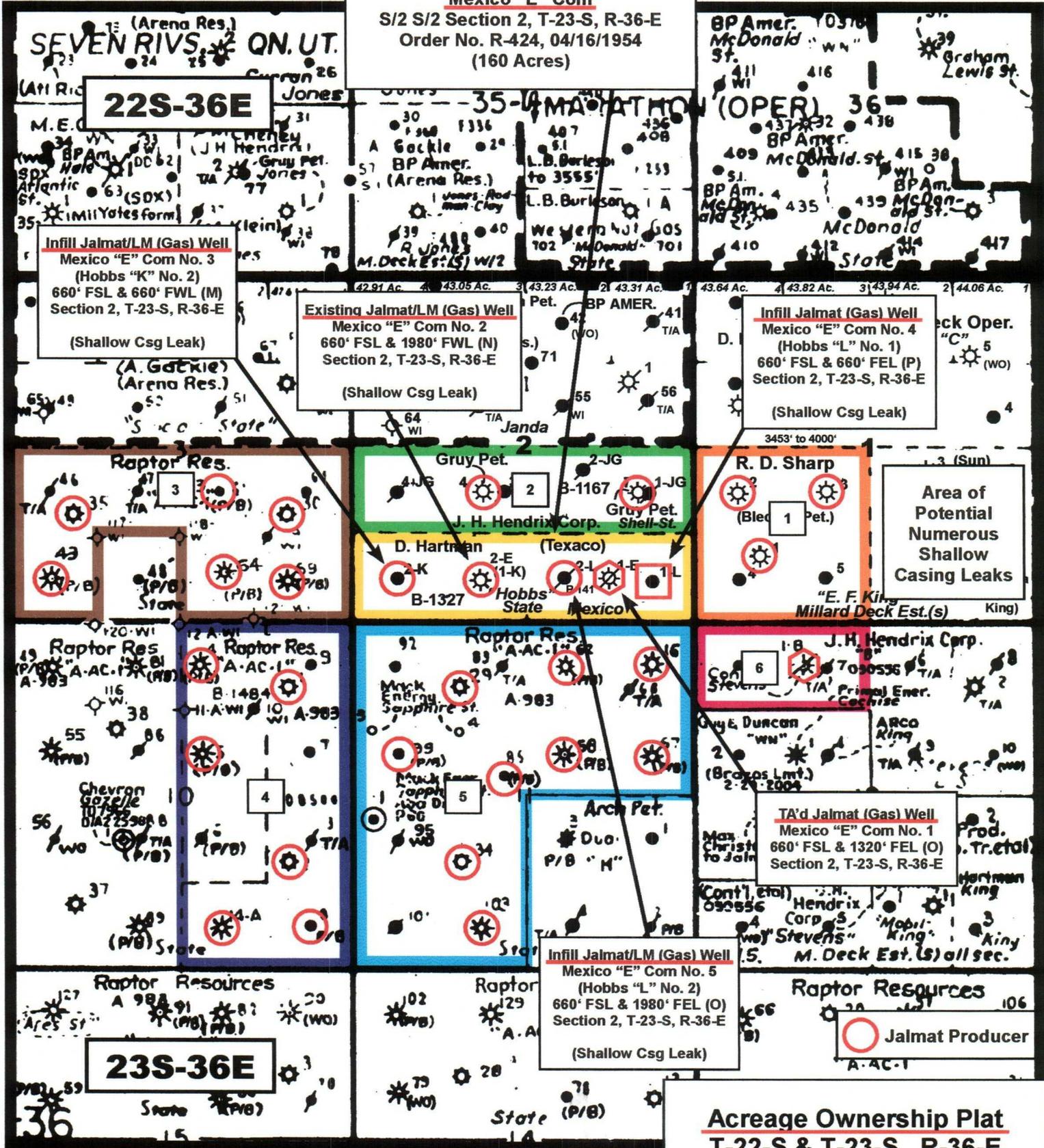
**TA'd Jalmat (Gas) Well**  
 Mexico "E" Com No. 1  
 660' FSL & 1320' FEL (O)  
 Section 2, T-23-S, R-36-E

**Infill Jalmat/LM (Gas) Well**  
 Mexico "E" Com No. 5  
 (Hobbs "L" No. 2)  
 660' FSL & 1980' FEL (O)  
 Section 2, T-23-S, R-36-E  
 (Shallow Csg Leak)

**23S-36E**

**Jalmat Producer**

**Acreage Ownership Plat**  
**T-22-S & T-23-S, R-36-E**  
**Lea County, NM**



# Adjacent and Diagonal Jalmat Operators

Doyle Hartman-operated  
 Mexico "E" COM Jalmat P.U.  
 S/2 S/2 Section 2, T-23-S, R-36-E  
 Lea County, New Mexico  
 (160 acres, Order No. R-424, Approved 04/16/1954)

Tract	Color Code	Operator	Jalmat P.U. Description	Lease Name	Well No.	Jalmat Well Location(s)	No. of Wells	Offset Well Spacing (acres/well)
1	Orange	Quay Valley Inc.	SW/4 Section 1 T-23-S, R-36-E (160 acres)	E. F. King	1	M-1-23S-36E	3	53.3
					2	L-1-23S-36E		
					3	K-1-23S-36E		
2	Green	Gruy Petroleum Mgmt. Co.	N/2 S/2 Section 2 T-23-S, R-36-E (160 acres)	Shell State	4	K-2-23S-36E	2	80.0
					7	I-2-23S-36E		
3	Brown	Mission Resources Corp.	SE/4, N/2 SW/4 & SW/4 SW/4 Section 3, T-23-S, R-36-E (280 acres)	State A A/C 1	30	I-3-23S-36E	6	46.7
					35	L-3-23S-36E		
					43	M-3-23S-36E		
					61	J-3-23S-36E		
					64	O-3-23S-36E		
					69	P-3-23S-36E		
4	Purple	Mission Resources Corp.	E/2 Section 10 T-23-S, R-36-E (320 acres)	State A A/C 3	1	A-10-23S-36E	6	53.3
					2	I-10-23S-36E		
					4	B-10-23S-36E		
					5	G-10-23S-36E		
					8	P-10-23S-36E		
					14	O-10-23S-36E		
5	Blue	Mission Resources Corp.	NE/4 & W/2 Section 11, T-23-S, R-36-E (480 acres)	State A A/C 1	16	A-11-23S-36E	9	53.3
					29	C-11-23S-36E		
					34	K-11-23S-36E		
					58	G-11-23S-36E		
					62	B-11-23S-36E		
					67	H-11-23S-36E		
85	F-11-23S-36E							
99	E-11-23S-36E							
103	N-11-23S-36E							
6	Pink	John H. Hendrix Corp. (Formerly Conoco Inc.)	N/2 NW/4 Section 12, T-23-S, R-36-E (80 acres)	Stevens "B"	1	C-12-23S-36E (Last Prod. 03/86)	---	---
					---	---		
<b>Offset Total/Avg</b>								<b>53.8</b>

Offset Total/Avg 1400 acres 26 53.8

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW  
MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 614  
Order No. R-424

THE APPLICATION OF SKELLY OIL  
COMPANY FOR AN ORDER GRANTING  
APPROVAL OF AN EXCEPTION TO RULE  
7 (a) OF ORDER NO. R-369-A IN ESTABLISH-  
MENT OF AN UNORTHODOX GAS PRORATION  
UNIT OF 160 CONTIGUOUS ACRES CONSISTING  
OF THE SOUTH HALF OF THE SE/4 AND SOUTH  
HALF OF THE SW/4 OF SECTION 2, TOWNSHIP  
23 SOUTH, RANGE 36 EAST, NMPM, LEA COUNTY,  
NEW MEXICO, IN THE LANGMAT GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on December 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 16th day of April, 1954, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises;

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 7 (a) of Order No. R-369-A the Commission has power and authority to permit the formation of a gas proration unit consisting of other than a legal quarter section after notice and hearing by the Commission.

(3) That applicant, Skelly Oil Company, is the owner of an oil and gas lease in Lea County, New Mexico, the land consisting of other than a legal quarter section, and described as follows, to wit:-

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM  
S/2 SE/4, S/2 SW/4

containing 160 acres, more or less.

*Entered - 4-29-54 - J.R.*

(4) That applicant, Skelly Oil Company, has a producing well on the aforesaid lease known as Mexico E, Well No. 1, located 660' from the South line and 1320' from the East line of Section 2, Township 23 South, Range 36 East, NMPM.

(5) That the aforesaid well was completed and in production prior to January 1, 1954, the effective date of Order No. R-369-A, and is located within the limits of the pool heretofore delineated and designated as the Langmat Gas Pool.

(6) That it is impractical to pool applicant's said lease with adjoining acreage in the south half of Section 2, Township 23 South, Range 36 East, NMPM, and that the owners of adjoining acreage in said half section have not objected to the formation of the proposed proration unit of 160 acres,

(7) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover his just and equitable share of the natural gas in the Langmat Gas Pool.

(8) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, will protect correlative rights, and is necessary to prevent confiscation of applicant's property.

**IT IS THEREFORE ORDERED:**

(1) That the application of Skelly Oil Company for approval of an unorthodox proration unit consisting of the following described acreage:

**TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM**  
**S/2 S/2 Section 2**

be, and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

(2) That applicant's well, Mexico E, Well No. 1, located in the S/2 SE/4 of Section 2, Township 23 South, Range 36 East, NMPM, shall be granted an allowable from January 1, 1954 in the proportion that the above described 160 acre unit bears to the standard or orthodox proration unit for said pool, all until further order of the Commission.

DONE at Santa Fe, New Mexico, the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary and Member

SEAL

**DIVIDER PAGE**

## Results and Cost of Wellbore Repair and Reserve Enhancement Operations

Mexico "E" Com Jalmat P.U.

(Hobbs "K" & "L" Leases)

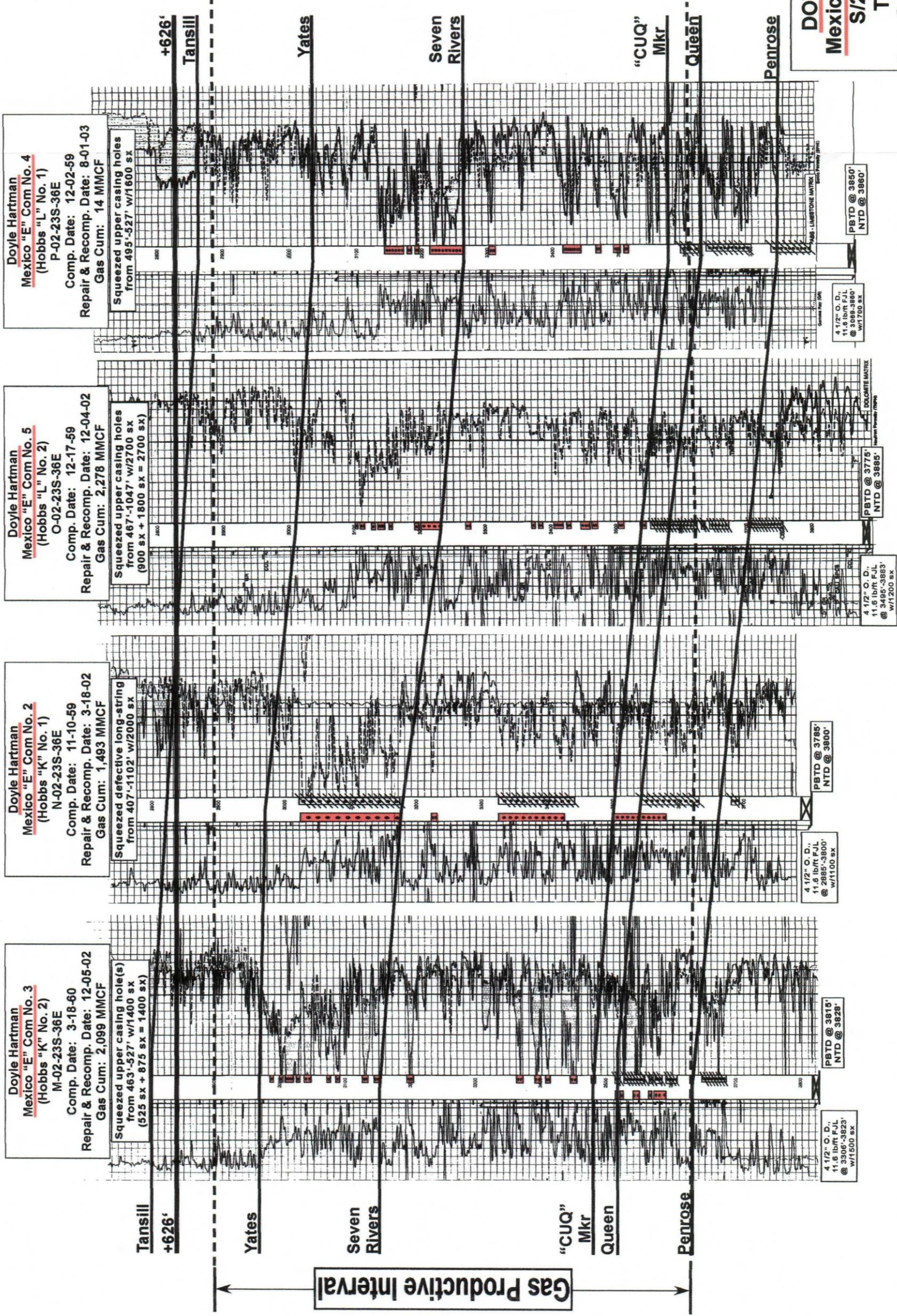
S/2S/2 Section 2, T-23-S, R-36-E

Well Name	Well Location	Production Before Well Repair	Original Completion Data				Approx. Depth of Defective Long String	Defective Interval Pump-in Rate/Pressure	Upper Long String Squeeze Jobs	Amended Completion Interval	Well Stimulation	Initial Production After Well Repair	Approx. Initial Production Increase (Decrease)	Wellbore Repair and Reserve Enhancement Cost
			Date	Surface Casing	Long String	Uncemented Interval								
Mexico "E" Com No. 2 (Hobbs "K" No. 1)	N-2-23S-36E	0 MCFPD 120 BWPD (1-18-02)	11/14/1959	8 5/8" @ 306' w/200 sx	5 1/2" @ 3690' w/250 sx (TOC @ 2710')	306'-2710'	407'-1102'	2 BPM @ 300 psi	300 sx (05/82) 105 sx (03/91) 2000 sx (3/02) <u>(Total of 2405 sx)</u>	3023'-3578' (Y-7R-Qn)	A/7650	111 MCFPD 13 BWPD (10/15/02)	111 MCFPD (107 BWPD)	\$234,260
			03/18/1960	8 5/8" @ 300' w/200 sx	5 1/2" @ 3700' w/275 sx (TOC @ 2750')	300'-2750'	463'-527'	3 BPM @ 500 psi	525 sx (10/02) 875 sx (10/02) <u>(Total of 1400 sx)</u>	2985'-3589' (Y-7R-Qn)	A/6438 SF/217,152 + 500,000	262 MCFPD 21 BWPD (12/5/02)	181 MCFPD (16 BWPD)	\$525,888
			12/17/1959	8 5/8" @ 300' w/300 sx	5 1/2" @ 3753' w/250 sx (TOC @ 2740')	300'-2740'	467'-1047'	5 BPM @ 300 psi (Start of cement job)	900 sx (07/02) 1800 sx (07/02) <u>(Total of 2700 sx)</u>	3103'-3543' (Y-7R)	A/6450 SF/233,000 + 500,000	270 MCFPD 9 BWPD (12/04/02)	270 MCFPD (9 BWPD)	\$514,330
Mexico "E" Com No. 4 (Hobbs "L" No. 1)	P-2-23S-36E	20 MCFPD 101 BWPD (1-16-03)	12/02/1959	8 5/8" @ 300' w/200 sx	5 1/2" @ 3795' w/250 sx (TOC @ 2714')	300'-2714'	495'-527'	4 BPM @ 110 psi	1600 sx (11/02)	3134'-3508' (Y-7R)	A/5600 SF/194,203 + 400,000	118 MCFPD 2 BWPD (10/20/03)	98 MCFPD (99 BWPD)	\$526,230
			Total											

\$1,566,448

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# Structural Cross-Section



**DOYLE HARTMAN**  
 Mexico "E" Com Lease  
 S/2 S/2, Section 2  
 T-23-S, R-36-E  
 Lea County, New Mexico

**DIVIDER PAGE**

NORTH

B

# Structural Cross-Section

SOUTH

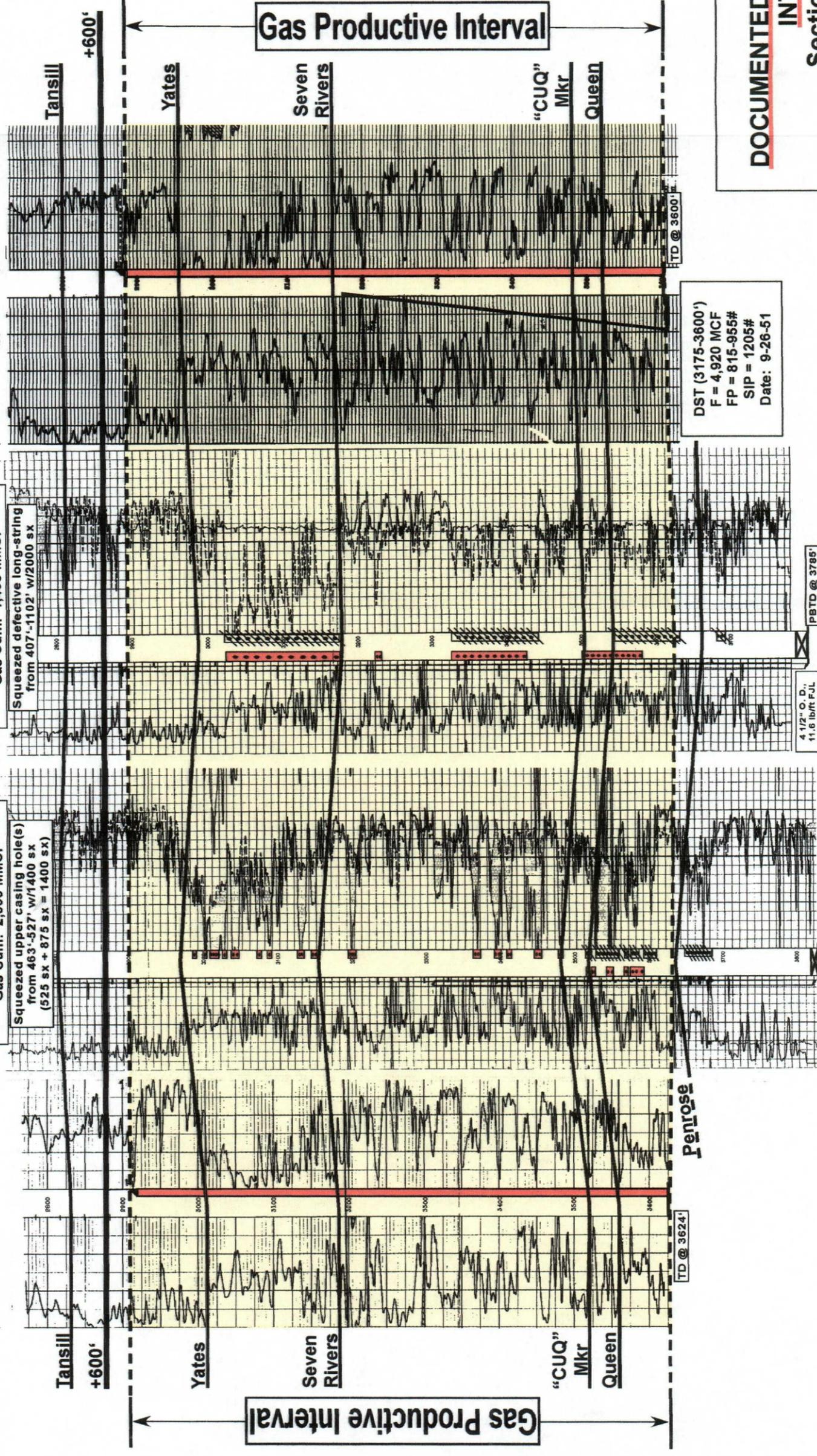
B'

Raptor Resources, Inc.  
 State "A" A/C-1 No. 30  
 I-03-23S-36E  
 Comp. Date: 10-23-51  
 Gas Cum: 4,983 MMCF

Doyle Hartman  
 Mexico "E" Com No. 3  
 (Hobbs "K" No. 2)  
 M-02-23S-36E  
 Comp. Date: 3-18-60  
 Repair & Recomp. Date: 12-05-02  
 Gas Cum: 2,099 MMCF

Doyle Hartman  
 Mexico "E" Com No. 2  
 (Hobbs "K" No. 1)  
 N-02-23S-36E  
 Comp. Date: 11-10-59  
 Repair & Recomp. Date: 3-18-02  
 Gas Cum: 1,493 MMCF

Raptor Resources, Inc.  
 State "A" A/C-1 No. 29  
 C-11-23S-36E  
 Comp. Date: 9-26-51  
 Gas Cum: 6,578 MMCF



Gas Productive Interval

Gas Productive Interval

Penrose

DST (3175-3600')  
 F = 4,920 MCF  
 FP = 815-955#  
 SIP = 1205#  
 Date: 9-26-51

4 1/2" O. D.,  
 11.5 lb/ft FJL  
 @ 3306'-3823'  
 w/1500 sx

PBTD @ 3815'  
 NTD @ 3828'

4 1/2" O. D.,  
 11.5 lb/ft FJL  
 @ 2895'-3600'  
 w/1100 sx

PBTD @ 3785'  
 NTD @ 3800'

**DOCUMENTED GAS PRODUCTIVE INTERVAL**  
 Sections 2, 3 & 11  
 T-23-S, R-36-E  
 Lea County, New Mexico

**DIVIDER PAGE**

**DOYLE HARTMAN**

*Oil Operator*  
500 NORTH MAIN  
P.O. BOX 10426  
MIDLAND, TEXAS 79702

(432) 684-4011  
(432) 682-7616 FAX

March 23, 2004

**CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

**ADJACENT AND DIAGONAL JALMAT OPERATORS**

**Mexico "E" Com No. 3 / Hobbs "K" No. 2 / Second Active Jalmat Well**

**Mexico "E" Com No. 5 / Hobbs "L" No. 2 / Third Active Jalmat Well**

**Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1 / Fourth Active Jalmat Well**

**S/2S/2 Section 2, T-23-S, R-36-E**

**Lea County, New Mexico**

**[NMOCC Order No. R-424/160-acre Jalmat P.U.]**

**Re: Notice and Waiver Request for Simultaneous Dedication**

Gentlemen:

Reference is made to our herein-enclosed simultaneous dedication application, corresponding to our 160-acre Mexico "E" Com Jalmat gas proration unit, consisting of the S/2S/2 Section 2, T-23-S, R-36-E, Lea County, New Mexico. From a review of the herein-enclosed simultaneous dedication application, you will find important operational information concerning the significant potential that exists for the occurrence of upper long-string casing leaks, **on** and **around** the S/2S/2 Section 2, T-23-S, R-36-E, which occurrence, in the case of our 160-acre Jalmat P.U., has resulted in the need to perform **costly** wellbore repair work corresponding to the above-referenced Mexico "E" Com application wells.

In this regard, this letter shall serve as (1) written notice, and (2) our request for written waiver, pertaining to our herein enclosed administrative application, to the New Mexico Oil Conservation Division, to simultaneously dedicate our **repaired** Hobbs "K" No. 2 well (M-2-23S-36E) and **repaired** Hobbs "L" No. 2 well (O-2-23S-36E), as the *second* and *third active* Jalmat producers, on our currently existing 160-acre Mexico "E" Com Jalmat P.U., consisting of the S/2S/2 Section 2, T-23-S, R-36-E, which two additional wells will bring the well spacing, of the Mexico "E" Com Jalmat P.U., into alignment with the already-existing **average** well spacing of the offsetting Jalmat proration units. As part of this application, the Hobbs "K" No. 2 will be re-designated the Mexico "E" Com No. 3, and the Hobbs "L" No. 2 will be re-designated the Mexico "E" Com No. 5.

**Adjacent and Diagonal Jalmat Operators**

**Notice and Waiver Request for Simultaneous Dedication**

**Mexico "E" Com No. 3 / Hobbs "K" No. 2 / Second Active Jalmat Well**

**Mexico "E" Com No. 5 / Hobbs "L" No. 2 / Third Active Jalmat Well**

**Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1 / Fourth Active Jalmat Well**

March 23, 2004

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In addition, absent your objection, as an offsetting Jalmat operator, we are also requesting administrative approval, from the NMOCD, to add our **repaired** Hobbs "L" No. 1 well (P-2-23S-36E), as a *fourth active* Jalmat well, on our currently existing 160-acre Mexico "E" Com Jalmat P.U., so as to permit the recoupment of the significant well repair costs associated with the Hobbs "L" No. 1 well (Mexico "E" Com No. 4 well), and the recovery of remaining lease reserves not otherwise recoverable by our Mexico "E" Com Nos. 2, 3, and 5. If approved, the Hobbs "L" No. 1 will be re-designated the Mexico "E" Com No. 4.

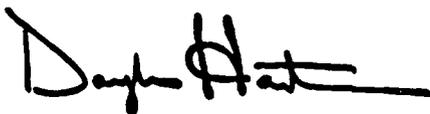
If you are agreeable to granting a written waiver, for the addition of the **repaired** Mexico "E" Com Nos. 3 and 5 wells, as the *second* and *third* active Jalmat wells, on the 160-acre Mexico "E" Com Jalmat P.U., or the addition of the **repaired** Mexico "E" Com Nos. 3, 5, and 4 wells, as the *second*, *third*, and *fourth* active Jalmat wells, on the 160-acre Mexico "E" Com Jalmat P.U., we respectfully request that you **execute** this letter (at your earliest convenience), in the applicable space provided below, and promptly **return** your **executed** copy, in the self-addressed stamped envelope enclosed herewith. The second copy of this letter, as well as the herein-enclosed copy of our simultaneous dedication application, shall be retained for your files.

We thank you for your attention regarding this matter, and, in light of the herein-documented serious casing problems, in the subject area, we respectfully request your fullest cooperation and approval concerning the addition of all **three** above-referenced **application** wells, as active Jalmat producers, corresponding to the Mexico "E" Com proration unit.

Concerning the herein-discussed casing problems, in the event that you encounter a similar problem, we stand ready to share helpful information that was gained during the repair of our wells.

Yours very truly,

DOYLE HARTMAN, Oil Operator



Doyle Hartman  
Owner

**Adjacent and Diagonal Jalmat Operators**  
**Notice and Waiver Request for Simultaneous Dedication**  
**Mexico "E" Com No. 3 / Hobbs "K" No. 2 / Second Active Jalmat Well**  
**Mexico "E" Com No. 5 / Hobbs "L" No. 2 / Third Active Jalmat Well**  
**Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1 / Fourth Active Jalmat Well**  
March 23, 2004  
Page 3

**OPTION 1 (two additional Jalmat wells):**

**APPROVAL IS HEREBY GRANTED TO ADD THE REPAIRED MEXICO "E" COM NOS. 3 AND 5 WELLS AS THE SECOND AND THIRD ACTIVE JALMAT WELLS ON THE 160-ACRE MEXICO "E" COM JALMAT P.U.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Date

**OPTION 2 (three additional Jalmat wells):**

**APPROVAL IS HEREBY GRANTED TO ADD THE REPAIRED MEXICO "E" COM NOS. 3, 5, AND 4 WELLS AS THE SECOND, THIRD, AND FOURTH ACTIVE JALMAT WELLS ON THE 160-ACRE MEXICO "E" COM JALMAT P.U.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Date

**Adjacent and Diagonal Jalmat Operators**

**Notice and Waiver Request for Simultaneous Dedication**

**Mexico "E" Com No. 3 / Hobbs "K" No. 2 / Second Active Jalmat Well**

**Mexico "E" Com No. 5 / Hobbs "L" No. 2 / Third Active Jalmat Well**

**Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1 / Fourth Active Jalmat Well**

March 23, 2004

Page 4

cc: Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 So. St. Francis Drive  
Santa Fe, NM 87505

Chris Williams, NMOCD District 1 Supervisor  
New Mexico Oil Conservation Division  
1625 French Drive  
Hobbs, New Mexico 88240

J.E. Gallegos  
Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505

**ADJACENT AND DIAGONAL JALMAT OPERATORS**

Notice and Waiver Request

Simultaneous Dedication

Mexico "E" Com No. 3 / Hobbs "K" No. 2 / Second Active Jalmat Well

Mexico "E" Com No. 5 / Hobbs "L" No. 2 / Third Active Jalmat Well

Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1 / Fourth Active Jalmat Well

S/2S/2 Section 2, T-23-S, R-36-E

Lea County, New Mexico

[NMOCC Order No. R-424/160-acre Jalmat P.U.]

- 1) Quay Valley Inc.  
P.O. Box 10280  
Midland, Texas 79702  
Attn: Raymond Sharp, President  
(Adjacent West-Offset Operator)  
**Certified Mail Receipt No. 7001 1140 0002 8323 1964**
  
- 2) Gruy Petroleum Mgmt. Co.  
P.O. Box 14097  
Irving, Texas 75014  
Attn: R. Douglas Cronk, Sr. V.P. Operations  
(Adjacent North-Offset Operator)  
**Certified Mail Receipt No. 7001 1140 0002 8323 1971**
  
- 3) Mission Resources Corporation  
1331 Lamar, Suite 1455  
Houston, Texas 77010-3039  
Kent Rogers, V.P. Operations  
(Adjacent East-Offset, Diagonal Southwest-Offset, and Adjacent South-Offset Operator)  
**Certified Mail Receipt No. 7001 1140 0002 8323 2022**
  
- 4) John H. Hendrix Corporation  
P.O. Box 3040  
Midland, Texas 79702  
Attn: John H. Hendrix, President  
Ronnie Westbrook, Vice President  
(Diagonal Southeast-Offset Operator)  
**Certified Mail Receipt No. 7001 1140 0002 8323 2015**  
**Certified Mail Receipt No. 7001 1140 0002 8323 1995**

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature <input type="checkbox"/> Agent  <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p>
<p>1. Article Addressed to:</p> <p>Raymond Sharp, President          Quay Valley, Inc.          P.O. Box 10280          Midland, TX 79702</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type  <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number          (Transfer from service label)</p>	<p>7001 1140 0002 8323 1964</p>
<p>PS Form 3811, August 2001 Domestic Return Receipt 102595-01-M-2500</p>	

U.S. Postal Service											
<b>CERTIFIED MAIL RECEIPT</b> (Domestic Mail Only - No Insurance Coverage Provided)											
<p>Sent To: Raymond Sharp, President          Quay Valley, Inc.          P.O. Box 10280          Midland, TX 79702</p> <p>City, State, ZIP+4: Midland, TX 79702</p>	<p>7001 1140 0002 8323 1964</p> <table border="1"> <tr> <td>Postage</td> <td>\$ 1.98</td> </tr> <tr> <td>Certified Fee</td> <td>2.30</td> </tr> <tr> <td>Return Receipt Fee (Endorsement Required)</td> <td>1.75</td> </tr> <tr> <td>Restricted Delivery Fee (Endorsement Required)</td> <td></td> </tr> <tr> <td>Total Postage &amp; Fees</td> <td>\$ 6.03</td> </tr> </table> <p>Postmark</p>	Postage	\$ 1.98	Certified Fee	2.30	Return Receipt Fee (Endorsement Required)	1.75	Restricted Delivery Fee (Endorsement Required)		Total Postage & Fees	\$ 6.03
Postage	\$ 1.98										
Certified Fee	2.30										
Return Receipt Fee (Endorsement Required)	1.75										
Restricted Delivery Fee (Endorsement Required)											
Total Postage & Fees	\$ 6.03										
<p>F.O. BOX 10280          Midland, TX 79702</p>											



2. Article Number (Copy from service label) 7001 1140 0002 8323 1971

1. Article Addressed to: R. Douglas Cronk, Sr. V.P. Operations Gny Petroleum Mgmt. Co. P.O. Box 14097 Irving, TX 75014	
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> C.O.D. <input type="checkbox"/> Insured Mail 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes <input type="checkbox"/> No	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:	
C. Signature X <input type="checkbox"/> Addressee <input type="checkbox"/> Agent	
A. Received by (Please Print Clearly) _____ B. Date of Delivery _____	

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.

SENDER: COMPLETE THIS SECTION COMPLETE THIS SECTION ON DELIVERY

**DOYLE HARTMAN**  
 Oil Operator  
 P.O. Box 10426  
 MIDLAND, TEXAS 79702

R. Douglas Cronk, Sr. V.P. Operations  
 Gny Petroleum Mgmt. Co.  
 P.O. Box 14097  
 Irving, TX 75014

R. Douglas Cronk, Sr. V.P. Operations  
 Gny Petroleum Mgmt. Co.  
 P.O. Box 14097  
 Irving, TX 75014

1.98  
 2.30  
 1.75  
 6.03

7001 1140 0002 8323 1971  
 7001 1140 0002 8323 1971

**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:

**Kent Rogers, V.P. Operations  
Mission Resources, Inc.  
1331 Lamar, Suite 1455  
Houston, TX 77010-3039**

2. Article Number  
(Transfer from service label) **7001 1140 0002 8323 2022**

PS Form 3811, August 2001

**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

**Kent Rogers, V.P. Operations  
Mission Resources, Inc.  
1331 Lamar, Suite 1455  
Houston, TX 77010-3039**

**DOYLE HARTMAN  
Oil Operator  
P.O. Box 10426  
MIDLAND, TEXAS 79702**

PS Form 3800, January 2001 See Reverse for Instructions

**Sent To**  
Kent Rogers, V.P. Operations  
Street, Apt. No., Mission Resources, Inc.  
1331 Lamar, Suite 1455  
City, State, Zip+4 Houston, TX 77010-3039

Postage	\$ 1.98
Certified Fee	2.30
Return Receipt Fee (Endorsement required)	1.75
Restricted Delivery Fee (Endorsement required)	
Total Postage & Fees	\$ 6.03

Postmark Here

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



2. Article Number (Transfer from service label) **7001 1140 0002 6323 2015**

1. Article Addressed to:  
 John H. Hendrix, President  
 John H. Hendrix Corporation  
 P.O. Box 3040  
 Midland, TX 79702

3. Service Type:  
 Certified Mail  
 Express Mail  
 Registered  
 Return Receipt for Merchandise  
 Insured Mail  
 C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes  No

A. Signature  Agent  Address  **X**

B. Received by (Printed Name) \_\_\_\_\_

C. Date of Delivery \_\_\_\_\_

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

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

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

Sent to: **John H. Hendrix, President**  
**John H. Hendrix Corporation**  
**P.O. Box 3040**  
**Midland, TX 79702**

City, State: **Midland, TX 79702**

Postage	\$ 1.98
Certified Fee	\$ 2.30
Return Receipt Fee (Postmark Required)	\$ 1.75
Restricted Delivery Fee (Postmark Required)	\$ 6.03
Total Postage & Fees	\$ 11.06

Postmark Here

7001 1140 0002 6323 2015

**DOYLE HARTMAN**  
*Mail Operator*  
 P.O. Box 10426  
 MIDLAND, TEXAS 79702

John H. Hendrix, President  
 John H. Hendrix Corporation  
 P.O. Box 3040  
 Midland, TX 79702



SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		<p>A. Signature <b>X</b> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>	
<p>1. Article Addressed to:</p> <p><b>Ronnie Westbrook, Vice President John H. Hendrix Corporation P.O. Box 3040 Midland, TX 79702</b></p>		<p>B. Received by (Printed Name) _____ C. Date of Delivery _____</p>	
		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>	
		<p>3. Service Type  <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>	
		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>2. Article Number <b>7001 1140 0002 8323 1995</b> (Transfer from service label)</p>			
PS Form 3811, August 2001		Domestic Return Receipt	
		102595-01-M-2508	

PS Form 3800, January 2001  
See Reverse for Instructions

7001 1140 0002 8323 1995

City, State, ZIP+4<sup>®</sup> **Midland, TX 79702**

P.O. Box No. **P.O. Box 3040**

Street, Apt., P.O. No. **John H. Hendrix Corporation**

Sent to **Ronnie Westbrook, Vice President**

Postmark Here	Portage \$ <b>1.98</b>
	Certified Fee <b>2.30</b>
	Return Receipt Fee (Endorsement Required) <b>1.75</b>
	Restricted Delivery Fee (Endorsement Required) <b>6.03</b>
	Total Postage & Fees <b>10.06</b>

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

**DOYLE HALL**  
 Oil Dept.  
 P.O. Box 1  
 MIDLAND, TEX

Ronnie Westbrook  
 John H. Hendrix Co  
 P.O. Box 3040  
 Midland, TX 79702

