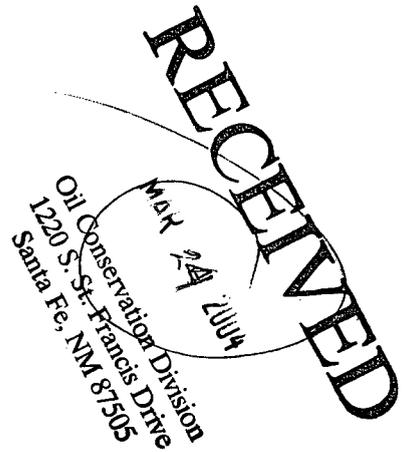


DOYLE HARTMAN

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

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



March 23, 2004

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

**Re: Transmittal Letter
Required NMOCD Filings**

Mexico "E" Com No. 2 / Hobbs "K" No. 1 (N-2-23S-36E)
Mexico "E" Com No. 3 / Hobbs "K" No. 2 (M-2-23S-36E)
Mexico "E" Com No. 5 / Hobbs "L" No. 2 (O-2-23S-36E)
Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1 (P-2-23S-36E)

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:

Due to excessive water production, including a sudden and large increase in water production as to our Mexico "E" Com No. 2 well, wellbore integrity tests were sequentially performed, in 2002, corresponding to our Mexico "E" Com No. 2, Hobbs "L" No. 2, Hobbs "K" No. 2, and Hobbs "L" No. 1 wells, all of which are located in the S/2S/2 Section 2, T-23-S, R-36-E, Lea County, New Mexico.

The resulting casing integrity tests revealed that all four wells contained one or several corrosion-related casing holes, in the upper part of the 5 1/2" O.D. long strings, which corrosion is the result of (1) the four wells being originally drilled utilizing only 300 feet of surface casing and (2) the 5 1/2" long string being cemented with only 250 sx to 300 sx. This small amount of cement raised the

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New Mexico Oil Conservation Division
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top of the long-string cement to approximately 2700', thus leaving a 2400' uncemented interval, between 300' and 2700'.

Recognizing that it was mandatory that the upper portion of the long strings, for all four of the subject wells, be promptly and properly repaired, expensive casing repair work was expeditiously performed, as outlined in the herein enclosed C-103(s), utilizing large volumes of cement (relative to normal industry practice), so as to (1) accomplish maximum achievable placement of cement, on the outside of the 5 1/2" O.D. casing strings, in the upper part of the wellbore, and (2) ensure that each casing hole, and adjacent strata, was thoroughly isolated.

Moreover, because water production, from the Lower Queen, has also been a costly past operational problem, at the time that we were repairing the defective upper portions of the long strings, it was deemed prudent to simultaneously address and rectify the past 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), in order 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, to ensure optimal recovery of remaining gas reserves during the expected remaining wellbore life.

In this regard, the amended completion interval, of the four repaired wells, is depicted on the herein-enclosed cross section C-C' (covering the S/2S/2 Section 2, T-23-S, R-36-E), with the amended completion interval of the two structurally-higher wells (Mexico "E" Com No. 2 and Hobbs "K" No. 2) closely coinciding with the 52-year-old producing interval of the offsetting State "A" AC/1 Nos. 29 and 30 wells, as documented on the herein-enclosed cross-section B-B' (covering parts of Sections 2, 3, and 11, T-23-S, R-36-E).

To date, the total cost of both repairing the four subject wells, as well as performing the corresponding reserve enhancement work, totals \$1,800,000, as is set out on the herein-enclosed "Results and Cost" tabulation.

Concerning the completed well work, please find enclosed herewith the following required well filings:

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 New Mexico Oil Conservation Division
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<u>Well Name</u>	<u>Location</u>	<u>Enclosed Filings</u>	<u>Amended Completion Interval</u>
Mexico "E" Com No. 2 / Hobbs "K" No. 1	N-2-23S-36E	C-102, C-103, C-104, C-105, C-107A, and hard copy of ready-for-transmittal amended C-115	3023-3578' (Y-7R-Qn)
Mexico "E" Com No. 3 / Hobbs "K" No. 2	M-2-23S-36E	C-102, C-103, C-104, C-105, C-107A, Simultaneous Dedication Application, and hard copy of ready-for-transmittal amended C-115	2985-3589' (Y-7R-Qn)
Mexico "E" Com No. 5 / Hobbs "L" No. 2	O-2-23S-36E	C-102, C-103, C-104, C-105, C-107A, Simultaneous Dedication Application, and hard copy of ready-for-transmittal amended C-115	3103-3543' (Y-7R)
Mexico "E" Com No. 4 / Formerly Hobbs "L" No. 1	P-2-23S-36E	C-102, C-103, C-104, C-105, Simultaneous Dedication Application, and hard copy of ready-for-transmittal amended C-115	3134-3508' (Y-7R)

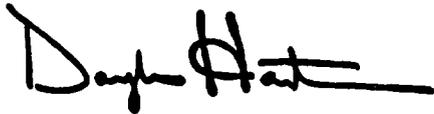
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New Mexico Oil Conservation Division
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As can be ascertained from a review of the herein-enclosed C-103(s), these filings are past due, with much of the subject work either being performed, or completed, in the later part of 2002, or early 2003.

However, this time period was also a hectic period, for our family, when my wife's father was in the late stages of terminal cancer, and suffered a stroke, and a considerable amount of subsequent attention was focused on providing needed assistance and comfort to my widowed elderly mother-in-law. Consequently, as a result of the unusual amount of time that was spent dealing with family related matters and associated necessary travel, coupled with an unexpected loss of a key employee, for an extended period, due to a major medical situation, as a small organization, we fell behind, for which we apologize.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman
Owner

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

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

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

Structural Cross-Section

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

Squeezed upper casing hole(s)
from 463'-527' w/1400 sx
(525 sx + 875 sx = 1400 sx)

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

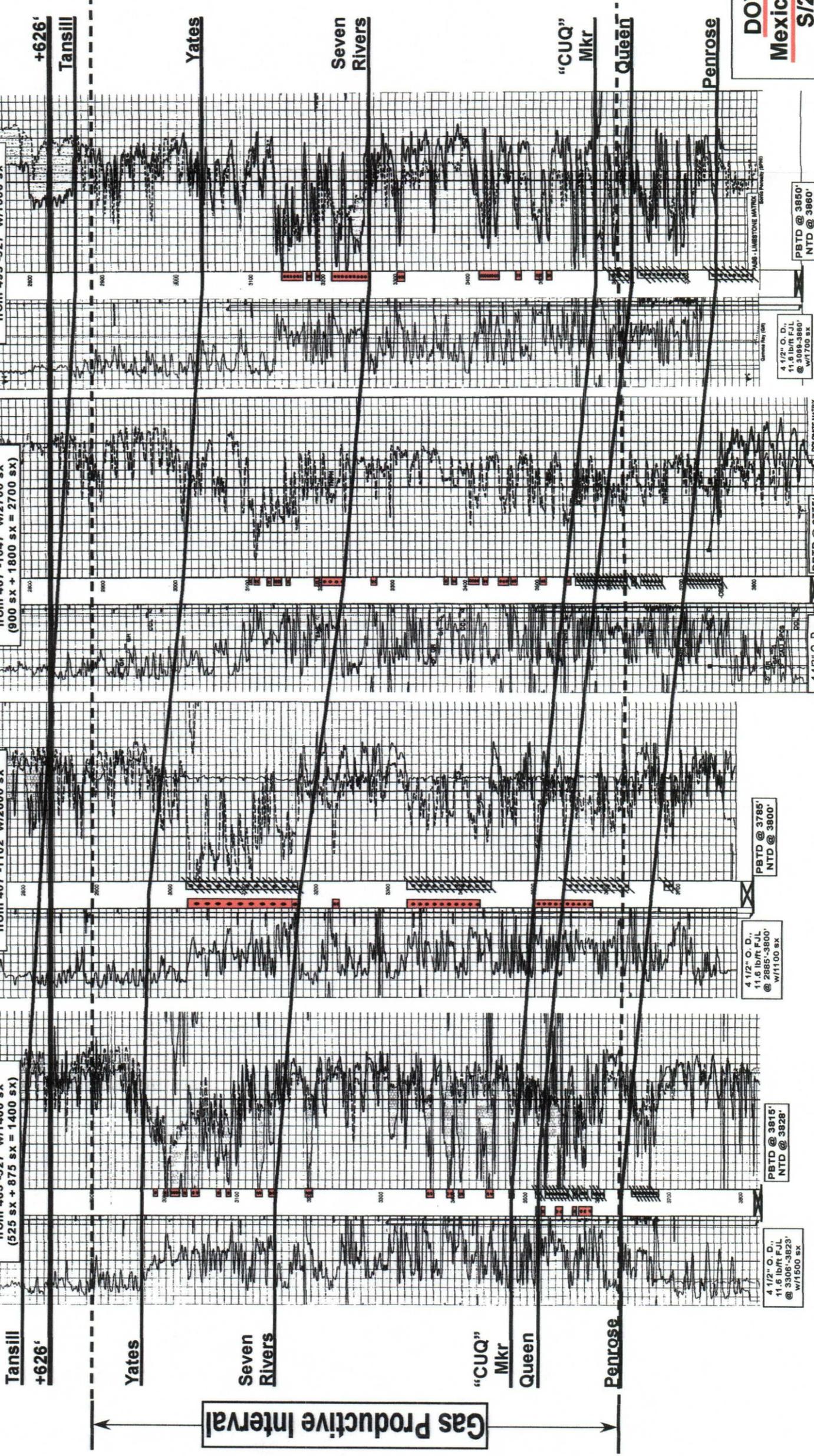
Squeezed defective long-string
from 407'-1102' w/2000 sx

Doyle Hartman
Mexico "E" Com No. 5
(Hobbs "L" No. 2)
O-02-23S-36E
Comp. Date: 12-17-59
Repair & Recom. Date: 12-04-02
Gas Cum: 2,278 MMCF

Squeezed upper casing holes
from 467'-1047' w/2700 sx
(900 sx + 1800 sx = 2700 sx)

Doyle Hartman
Mexico "E" Com No. 4
(Hobbs "L" No. 1)
P-02-23S-36E
Comp. Date: 12-02-59
Repair & Recom. Date: 8-01-03
Gas Cum: 14 MMCF

Squeezed upper casing holes
from 495'-527' w/1600 sx



4 1/2" O. D.,
11.6 lb/ft F.J.L.
@ 3308'-3823'
w/1500 sx

PBTD @ 3815'
NTD @ 3828'

4 1/2" O. D.,
11.6 lb/ft F.J.L.
@ 2885'-3900'
w/1100 sx

PBTD @ 3785'
NTD @ 3800'

4 1/2" O. D.,
11.6 lb/ft F.J.L.
@ 3495'-3883'
w/1200 sx

PBTD @ 3775'
NTD @ 3885'

4 1/2" O. D.,
11.6 lb/ft F.J.L.
@ 3089'-3860'
w/1700 sx

PBTD @ 3850'
NTD @ 3860'

4 1/2" O. D.,
11.6 lb/ft F.J.L.
@ 3089'-3860'
w/1700 sx

PBTD @ 3850'
NTD @ 3860'

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

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NORTH

B

Structural Cross-Section

SOUTH

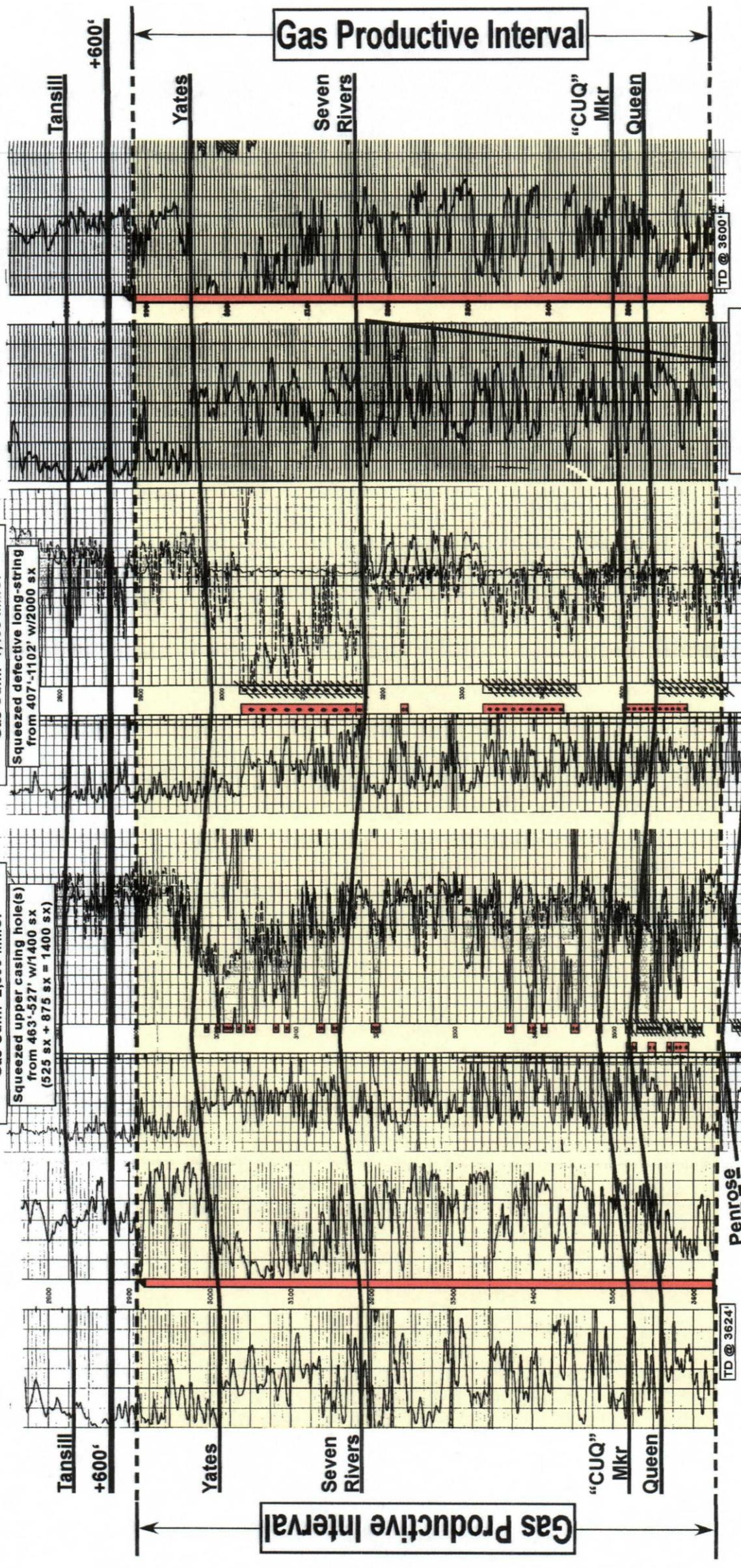
B'

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



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

PBTD @ 3785'
 NTD @ 3800'

4 1/2" O. D.,
 11.6 lb/ft FJL
 @ 2885'-3800'
 w/1100 sx

PBTD @ 3815'
 NTD @ 3828'

4 1/2" O. D.,
 11.6 lb/ft FJL
 @ 3308'-3823'
 w/1500 sx

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

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
			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')	407'-1102'	2 BPM @ 300 psi	300 sx (05/82) 105 sx (03/91) 2000 sx (3/02) (Total of 2405 sx)	3023'-3578' (Y-7R-Qn)	A7650	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')	463'-527'	3 BPM @ 500 psi	525 sx (10/02) 875 sx (10/02) (Total of 1400 sx)	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')	467'-1047'	5 BPM @ 300 psi (Start of cement job)	900 sx (07/02) 1800 sx (07/02) (Total of 2700 sx)	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')	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										

Total

\$1,566,448