

OGS OPERATING COMPANY, INC.

550 W. TEXAS, SUITE 1140
MIDLAND, TEXAS 79701
(432) 682-6373
(432) 682-4634 FAX

PME50-413136278

Susp: 5-17-2004

CERTIFIED MAIL RETURN RECEIPT REQUESTED

APRIL 22, 2004

RECEIVED

APR 26 2004

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

MR. MICHAEL E. STOGNER
CHIEF HEARING OFFICER/ENGINEER
OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DR.
SANTA FE, NM 87504

Re: Request for exception to Special Rules and Regulations for the Bluit San Andres Associated Pool
The S/2 of Section 7, T-8-S, R-37-E, Roosevelt County, New Mexico.

Dear Mr. Stogner:

This letter is a request for an exception to Rule 2. of the Special Rules and Regulations for the Bluit San Andres Associated Pool.

The Special Rules and Regulations for the Bluit San Andres Associated Pool are as follows:

"RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.
(b) Oil wells shall be located within 150 feet of the center of a quarter-quarter section.
Gas wells shall be located not closer than 990 feet to the quarter section line nor closer than 330 feet to any quarter-quarter section line."

This request concerns the Bluit 7 Federal Com #1 well to be located 1,980' FSL & 660' FEL of Section 7, proposed to be drilled by OGS Operating Company, Inc. in the Bluit San Andres Associated Pool in Roosevelt County, New Mexico.

This well will be drilled to a depth sufficient to test a mid to lower San Andres oil zone, but will likely be completed in a shallower San Andres gas zone. Should the wells be completed as oil wells they will be in compliance with Rule 2. (a) the standard oil proration unit 80 acres, however if they are gas wells an exception Rule 2. (a) will be needed.

The well location is dictated by surface conditions.

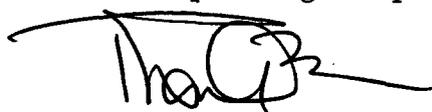
This letter is intended as an application for an exception to RULE 2. (a) and (b) of the Special Rules and Regulations for the Bluit-San Andres Associated Pool for the proposed well.

Enclosed is a plat showing the proration unit and the affected leases offsetting these wells.

A copy of this letter has been sent Certified Mail Return Receipt Requested to the affected offset operators (see the attached list).

Please call if you have a question.

Sincerely,
OGS Operating Company, Inc.



Thom O'Brien, President

ADDRESS LIST
OFFSET OPERATORS
S/2 OF SECTION 7, T-8-S, R-37-E ROOSEVELT COUNTY, NEW MEXICO

1. H.L. BROWN , JR.
300 W. LOUISIANA
MIDLAND, TX 79702-2237
ATTN: PETER COURTNEY

PH: 432-683-5216
FAX 432-688-3737

H.L. Brown, Jr., owns the oil and gas leases covering the N/2 of Section 8 (north offset) and the NW/4 of Section 7, T-8-S, R-37-E, Roosevelt County, New Mexico.

2. BRECK OPERATING CORP.
300 N. BRECKENRIDGE AVE.
BRECKENRIDGE, TX 76424-0911
ATTN: RONALD HOLLOWAY

PH: 254-559-3355
FAX 254-559-3220

Breck owns an interest under the H.L. Brown, Jr. oil and gas leases covering the N/2 of Section 8, T-8-S, R-37-E, Roosevelt County, New Mexico.

- 3 YATES PETROLEUM CORPORATION
105 S. 4TH ST., YATES BLDG.
ARTESIA, NM 88210-2177
ATTN: RANDY PATTERSON

PH: 505-748-1471

4. SCOTT EXPLORATION , INC.
SUITE 648, PETROLEUM BLDG.
ROSWELL, NM 88201

PH: 505-622-5891

Scott owns the oil and gas lease covering the N/2 NE/4 of Section 18, T-8-S, R-37-E, Roosevelt County, New Mexico.

OGS Operating Company Inc. owns rights to the base of the San Andres under the oil and gas lease covering the S/2 of Section 8 and owns the oil and gas lease covering N/2 of Section 17 and

W.A. Yeager Group Inc

Chalfant Prop.

108480
40.00

12

J.H. Fulton
Heorn-Fed.
D5049
MA10-30-89

U.S., Mins.
K.G. Flatt(S)

262

Yates Pet. et al
12-1-2005
96054
17.00
all sec.

K.G. Flatt(S)
NE/4

Pan Amer.
Sheorn.
Fed.
TD 9748

13

US
R.L. Selman, et al(S)

J.H. VICTORS, et al
P.F. Lowlis(S)

et al
US (S)

Beggs

WILLIAMS
F. Peruccio

U.S.

H.L. Brown, Jr.
HBP
0474

Yates
1991-93
100879
50.00
1.69

K.G. Flatt(S)

Yates Pet. et al
6-1-2008
96668
40.00

Gates-O'Brien
3-1-2010
103887
50.00

39.30

K.G. Flatt
U.S. (S), E12

39.26

Find
7-1-95
61367
Scott Expt.
6-1-2008
100874
105.00
10/14

Tom Ingram
HBP

0148897

U.S. (memo of opt.)
2-13-97
Ener. Arrow

39.19

Marathon
1-B
3-8-88

S.L. Shock
1-eford
5-28-93
Sabine
3-8-88

Pico
Mathews
Slate Ld.
Serv.
(memo of opt.)
Vaughn
Mathews
3-21-97
SA Disc.
1-2-97
Pigs-9-72
11-30-96

Millton
Basham
et al

W. Mapping
Est.

J.W. Smith, et al

(BRL Ltd.)
Breck Oper.
0474
(H.L. Brown, Jr.)
BL
Pet. of Te
Fed. 7081

Shell
Bluff Unit
BL
47.93
50

OGS Oper. et al

"Bluff"
8 Fed.
100871

BLUFF

U.S. FM B

(K.G. Flatt(S))
N/2

OGS Oper. et al
6-1-2008
100874
160.00

J.I. O'Neill
Fed.
1-LTD40882

Scott Expt.
6-1-2008

FM B

Hanson Oper.
MKB Fed.
2 TO 365

Hanson Oper.
MKB Fed.
2 TO 365

US