

OGS OPERATING COMPANY, INC.

550 W. TEXAS, SUITE 1140
MIDLAND, TEXAS 79701
(432) 682-6878
(432) 682-4684 FAX

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
Thom O'Brien, President

April 30, 2004

Please be more specific about the surface conditions of which is preventing you from drilling at a standard gas well location. Also provide a surface plat or to the map that shows these conditions.

NM044\OCD7FED.ltr.wpd

Also provide a surface plat or to the map that shows these conditions.

OGS OPERATING COMPANY, INC.
550 W. TEXAS, SUITE 1140
MIDLAND, TEXAS 79701

PMESD-413136278⁶

~~5/26/~~

(432) 682-6373
(432) 682-4634 FAX

May 4, 2004

RECEIVED

MAY 06 2004

OIL CONSERVATION
DIVISION

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 Bluit San Andres Pool
Proposed OGS Operating Company, Inc., Bluit 7 Federal Com #1 well
1,980' FSL & 660' FEL of Section 7, T-8-S, R-37-E, Roosevelt County, New Mexico

Dear Mr. Stogner:

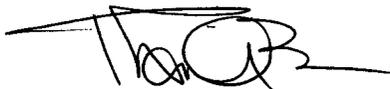
In response to your note concerning the surface conditions which dictate the location of the referenced well and request for exception to Special Rules and Regulations Bluit San Andres Pool.

As you requested attached are copies of a TOPO map and an aerial photo of the location area. There is not much relief in the area of the location. There are sand dunes. My field supervisor that witnessed the staking of this wells tells me that if we move the location west we will encounter some sand dunes.

The proposed location requires less road to be built coming west off of Hwy 262 and has been agreed to by the surface owner and surface lessee.

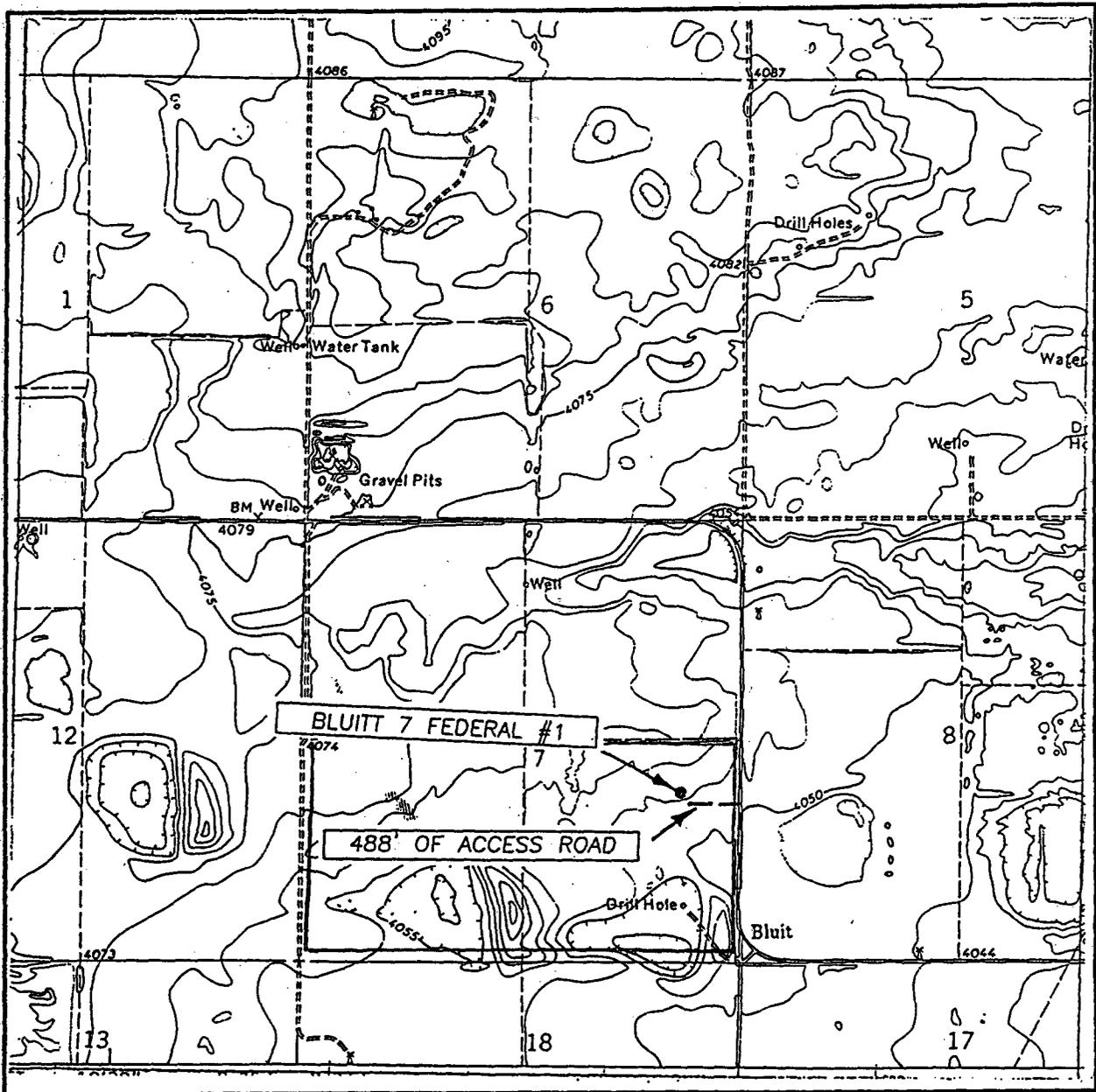
Thank you for your attention to this. Please call if you have a question.

Sincerely,
OGS Operating Company, Inc.



Thom O'Brien, President

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 5'
BLUITT, N.M.

SEC. 7 TWP. 8-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY ROOSEVELT

DESCRIPTION 1980' FSL & 660' FEL

ELEVATION 4056'

OPERATOR OGS OPERATING COMPANY, INC.

LEASE BLUITT 7 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

BLUITT, N.M.

EXHIBIT E
TOPO MAP OF LOCATION AREA
OGS OPERATING CO., INC.
Bluit "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico



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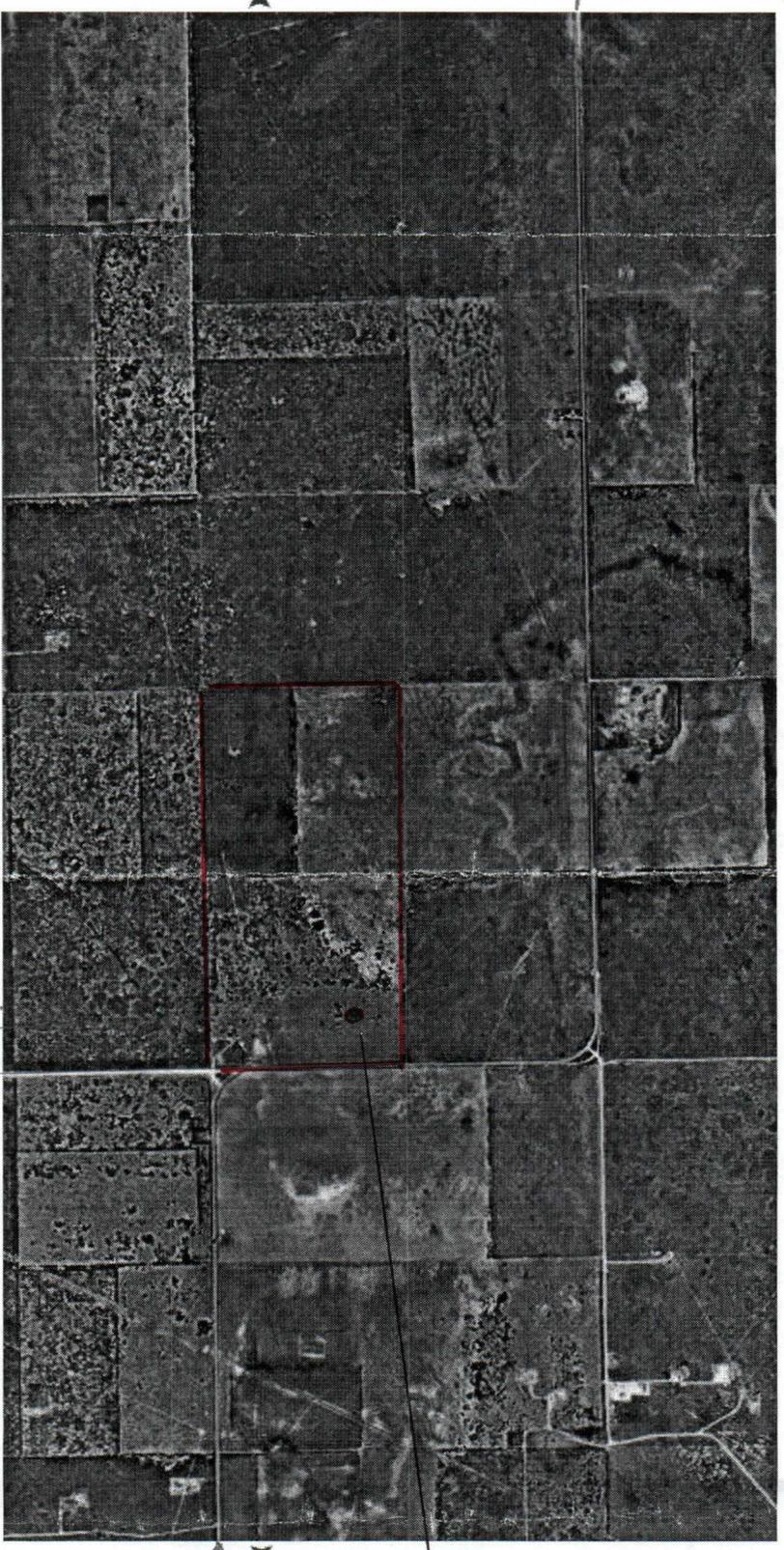


Waterproof Map

ClickWeather.com
 Forecast for Mon.
 81F 50F
 33.6N 103.2W Details
 CLICK HERE and get
 Weather and Map Forecast
 for any point on the Planet!

House and Home:

124 km W of Lubbock, Texas, United States 01 Nov 1997



APPROX. PROPOSED LOCATION
1980' FSL & 660' FEL SEC 7, 8S, 37E

Hwy 262

660'

OGS OPERATING COMPANY, INC.

550 W. TEXAS, SUITE 1140
MIDLAND, TEXAS 79701
(915) 682-6373
(915) 682-4634 FAX

MAY 7, 2004

RECEIVED

MAY 10 2004

**OIL CONSERVATION
DIVISION**

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

Re: OGS Operating Company, Inc., Proposed Bluit7 Federal #1 well
S/2 Section 7, T-8-S, R-37-E, Roosevelt County, New Mexico

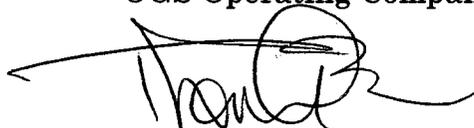
Gentlemen:

Please refer to my letter dated April 22, 2004 in which I requested an exception to Rule 2. (a) and (b) of the special rules and regulations of the Bluit-San Andres Associated Pool for the referenced well.

In connection with my request, attached are copies of all of the "Return Receipts" for the copies of that letter which I sent to the affected offset Operators

Please call if you have a question.

Sincerely,
OGS Operating Company, Inc.



Thom O'Brien, President

SENDER: COMPLETE THIS SECTION

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.

1. Article Addressed to:

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

A. Received by (Please Print Clearly) B. Date of Delivery
C. Signature
X *Kathy Donaghe* Agent Addressee
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:
KATHY DONAGHE
APR 26 2004

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

7001 1140 0002 8307 4509

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

SENDER: COMPLETE THIS SECTION

0202 1485 1000 0142 2002

- 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:

SCOTT EXPLORATION
215 W THIRD ST
ROSWELL NM
88202

A. Received by (Please Print Clearly) B. Date of Delivery
Wilson *5/5/04*
C. Signature
X *Wilson* Agent Addressee
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

SENDER: COMPLETE THIS SECTION

9869 1485 1000 0142 2002

- 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:

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

A. Received by (Please Print Clearly) B. Date of Delivery
M. Funderburg *4/26/04*
C. Signature
X *M. Funderburg* Agent Addressee
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

7002 2410 0001 5841 6986

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

SENDER: COMPLETE THIS SECTION

9589 1485 1000 0142 2002

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.

1. Article Addressed to:

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

A. Received by (Please Print Clearly) B. Date of Delivery
Delma Waine *4/26/04*
C. Signature
X *Delma Waine* Agent Addressee
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

7002 2410 0001 5841 6856

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789