



MURPHY OPERATING CORPORATION

UNITED BANK PLAZA, SUITE 300
400 NORTH PENNSYLVANIA AVENUE
POST OFFICE BOX 2648
ROSWELL, NEW MEXICO 88202-2648

TELEPHONE
505 623-7210

February 24, 1992

VIA TELEFAX (505-827-5741)/HARD COPY BY U.S. MAIL

New Mexico Energy & Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Attention: David Catanach

Re: Sandstone Oil & Gas ("Sandstone")
C-108 Application dated January 27, 1991

Dear David:

Pursuant to my telephone conversation with David Moore, Engineer for Sandstone Oil & Gas ("Sandstone"), I have been advised by Sandstone that they are revising certain aspects of the above-referenced C-108 application. These revisions are as follows:

<u>Provision</u>	<u>Revision</u>
VII.1.	The proposed daily injection volume shall be 75 BWPd. The maximum injection volume shall not exceed 150 BWPd.
VIII.1.	The proposed injection interval shall include the San Andres formation upper P-2 interval from 4125' - 4160'. This interval is in addition to the original proposed injection interval being the San Andres formation lower P-2 interval from 4197' - 4217'.

Murphy Operating Corporation ("Murphy") hereby withdraws its objection to said C-108 Application assuming Sandstone agrees to the following:

1. Sandstone agrees to notify Murphy if the actual injection rate exceeds 150 BWPd or if Sandstone reasonably believes that said injection rate will exceed 150 BWPd in the foreseeable future.
2. If Murphy reasonably believes that the injection, at any volume, is adversely affecting Murphy's producing wells then upon notification by Murphy, Sandstone agree's to a) either reduce injection to amount mutually agreed upon by Murphy and Sandstone, or b) failing such agreement to cease injection.

3. Sandstone agree's to notify Murphy if Sandstone plans to perforate any additional interval into which Sandstone plans to inject. Sandstone further agree's that if Murphy objects then Sandstone will not proceed with the proposed operation.

If Sandstone accepts the terms and conditions herein, and executes and returns one copy of this Agreement, Murphy will withdraw its objection to the above-referenced C-108 Application as amended.

Sincerely,

MURPHY OPERATING CORPORATION



Mark B. Murphy
President

MBM/ck

cc: Sandstone Oil & Gas
1330 East Eight Street, Suite 304
Odessa, Texas 79761
Attention: Mr. David Moore
Via Telefax (915-333-3109)

Accepted and Agreed to this _____ day
of _____, 1992.

SANDSTONE OIL AND GAS

By: _____

Name: _____

Title: _____



MURPHY OPERATING CORPORATION

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ROSWELL, NEW MEXICO 88202-2648

RECEIVED
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TELEPHONE
505-823-7210
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February 6, 1992

VIA TELEFAX (505-827-5741)/Hard Copy by U.S. Mail

New Mexico Energy & Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Attention: Mr. David Catanach, Engineer

Re: Sandstone Oil and Gas
C-108 Application dated January 27, 1992.

Dear David:


Be advised that Murphy Operating Corporation ("Murphy") hereby objects to the above-referenced C-108 Application filed for administrative approval by Sandstone Oil and Gas ("Sandstone"). We have standing to object through our ownership and operation of wells in near proximity to the proposed salt water disposal well. Murphy believes that, if approved, the procedure proposed by Sandstone could result in lower recoveries of the ultimate primary and potential enhanced oil and gas reserves. In all likelihood, injection into the proposed interval procedure will result in waste and could adversely affect the correlative rights of offsetting parties in interest.

Murphy may not object if Sandstone confined the injection to the San Andres P-3 interval. Sandstone would need to demonstrate that a good cement bond exists between the P-3 zone and the overlying P-2 and P-1 zones prior to initiating injection. In addition, Sandstone should be required to perform periodic tracer surveys to assure that injection is being confined to the San Andres P-3 zone.

Please notify me if Sandstone intends to proceed with their C-108 Application through the formal hearing process. A representative of Murphy will wish to testify in opposition.

Sincerely,

MURPHY OPERATING CORPORATION


Mark B. Murphy
President

MBM/ck

cc: Sandstone Oil and Gas
1330 East 8th Street, Suite 304
Odessa, Texas 79761
Attention: David Moore, Engineer