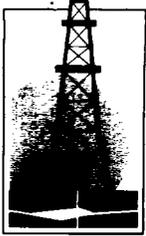


120540322

NSL



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

A subsidiary of Magnum Hunter Resources, Inc. • An American Stock Exchange Company

OIL CONSERVATION DIV.

Oil Well 23 • MHR: 01

July 20, 2001

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe New Mexico 87505
Attn: Ms. Lori Wrotenbery

Re: Myers B 9
NW/4, 13-24S-36E
Lea County New Mexico

Call 12723

Dear Ms. Wrotenbery:

We inadvertently left out the C-102 in the simultaneous dedication and unorthodox well location application for the referenced well. We also had some spacing changes. Therefore we are resubmitting the application.

The Myers B 9 well was permitted as a Langlie Mattix oil well, at an orthodox location of 990' FNL and 330' FWL of section 13-24S-36E. It was completed as a Jalmat gas well. The 160 acre spacing unit comprised of the NW/4 of section 13-24S-36E is dedicated to the Gruy Petroleum Management Co. Myers B 3 located 660' FNL and 1980' FWL of section 13.

In this regard, Gruy Petroleum Management Co. is requesting administrative approval of the unorthodox Jalmat gas location of the Myers B 9 and for simultaneous dedication of the Myers B 9 and B 3 wells in the 160-acre proration unit. A copy of this letter and attachments has been furnished by Certified Mail to offset operators as notice of this application.

If you have any questions or require additional information concerning this application, please contact me at 972-443-6489.

Yours truly,

A handwritten signature in cursive script, appearing to read "Zeno Farris".

Zeno Farris
Manager, Operations Administration

Cc: N.M.O.C.D. – Hobbs

DISTRICT I
P.O. Box 1860, Hobbs, NM 88241-1860

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV
P.O. Box 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34769	Pool Code 79240	Pool Name Jalmat Tansil-Yates-7 Rivers (Gas)
Property Code 21783	Property Name MYERS B	Well Number 9
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3338

Surface Location

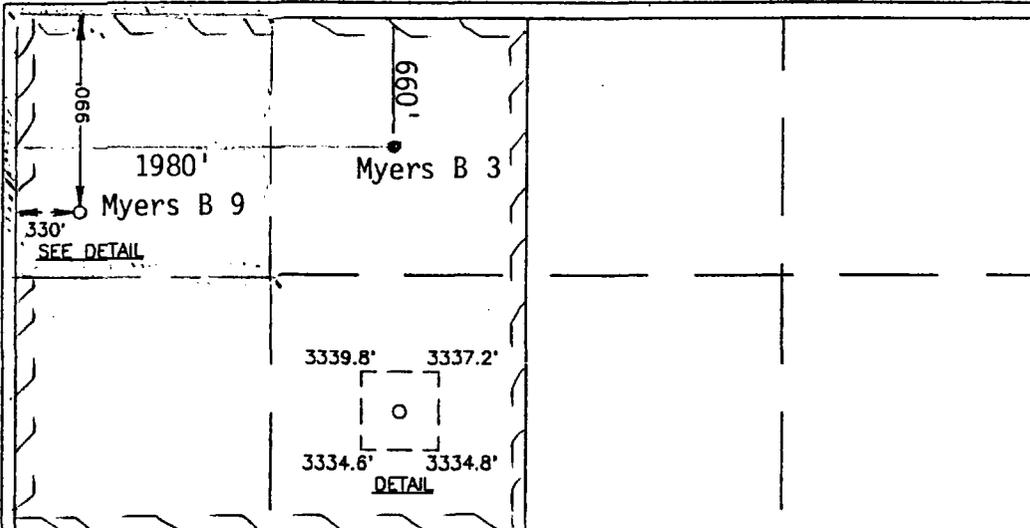
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	24 S	36 E		990	NORTH	330	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill Y	Consolidation Code	Order No.
------------------------	----------------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Zeno Farris
Signature

Zeno Farris
Printed Name

Mgr., Ops. Admin.
Title

July 20, 2001
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

SEPTEMBER 14, 1999

Date Surveyed _____ DC

Signature & Seal
Professional Surveyor

Ronald J. Libson
RONALD J. LIBSON
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR
3239
09-11-08

Certificate No. RONALD J. LIBSON 3239
GARY BRIDSON 12641
RONALD 12185

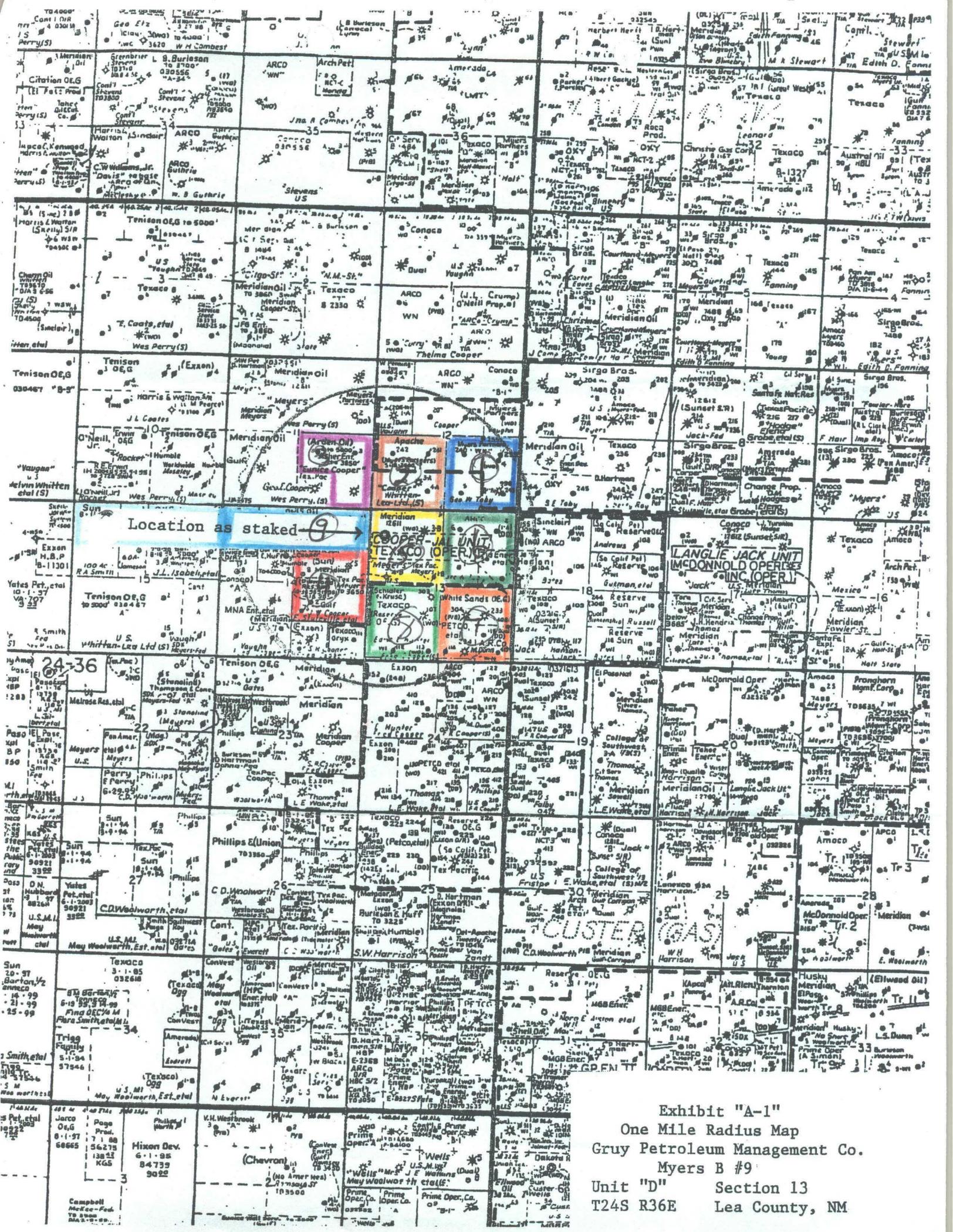


Exhibit "A-1"
 One Mile Radius Map
 Gruy Petroleum Management Co.
 Myers B #9
 Unit "D" Section 13
 T24S R36E Lea County, NM

List of Offset SPU's
GRUY PETROLEUM MANAGEMENT CO.
Myers "B" 9
Jalmat Gas Pool

OFFSET SPU	COLOR CODE	Well Name	Location	OPERATOR	ACERAGE DESCRIPTION	ACRES
1	DK Blue	GW Toby Gas WN Com 4	I-12-24-36	Arco Permian	SE/4 Sec. 12 T-24S-R-36E	160
2	Lt Brown	JW Cooper A 3	N-12-24-36	Prize Operating Co.	SW/4 Sec. 12 T-24S-R-36E	160
3	Purple	Eunice Cooper No. 1	P-11-24-36	Lewis B Burleson	N/2SE/4, SE/4SE/4 Sec 11 T-24S-R-36E	120
4	Red	JW Cooper No. 8	G-24-36	Gruy Pet. Management Co.	S/2NE/4, N/2SE/4 Sec 14 T-26S-R-36E	160
5	Yellow	Myers B No. 3 Myers B No. 9	C-13-24-36 D-11-24-36	Gruy Pet. Management Co. Gruy Pet. Management Co.	NW/4 Sec. 13 T-26S-R-36E	160
6	Dk Green	GW Toby 2 GW Toby 7	A-13-24-36 G-13-24-36	Arco Permian Arco Permian	NE/4 Sec. 13 T-26S-R-36E	160
7	Orange	None in Jalmat (Gas)		Texaco Exploration & Prod	SE/4 Sec. 13 T-26S-R-36E	160
8	Lt Green	Cooper Jal Unit No. 107	K-13-24-36	Texaco Exploration & Prod	SW/4 Sec. 13 T-26S-R-36E	160
9	Lt Blue	None in Jalmat (Gas)		Lewis B Burleson	N/2N/2 Sec. 14 T-26S-R-36E	160

**NW/4, Section 13 Township 24S, Range 36E
Lea County, New Mexico, Containing 120 acres**

**RE: Myers B 9, Application for Unorthodox well Location and Simultaneous
Dedication.**

Notification of Offset Operators:

Texaco Exploration & Production, Inc.
P.O. Box 3109
Midland, Texas 79702

Lewis B. Burleson
P.O. box 2479
Midland, Texas 79702

Arco Permian
P.O. Box 1089
Eunice NM 88231

Prize Operating Co.
3500 William D Tate Ave. # 200
Grapevine Texas 76051

Please find attached proof of notification.

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

Postage	\$.57
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.17

Postmark
Here

Sent To Lewis B. Burleson
 Street, Apt. No., or PO Box No. P.O. Box 2474
 City, State, ZIP+4 Midland TX 79702

PS Form 3800, May 2000 See Reverse for Instructions

7000 1530 0004 3841 7991

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

Postage	\$.57
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.17

Postmark
Here

Sent To Texeco Expl. & Prod. Inc
 Street, Apt. No., or PO Box No. P.O. Box 3109
 City, State, ZIP+4 Midland TX 79702

PS Form 3800, May 2000 See Reverse for Instructions

7000 1530 0004 3841 7953

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

Postage	\$.57
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.17

JUL
 Postmark
Here
 2001

Sent To Prize Operating Co.
 Street, Apt. No., or PO Box No. 3500 William D. Tate, Ave #200
 City, State, ZIP+4 Granville TX 76051

PS Form 3800, May 2000 See Reverse for Instructions

7000 1530 0004 3841 7984

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

Postage	\$.57
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.17

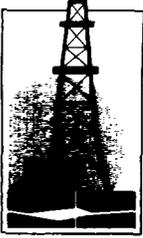
Postmark
Here

Sent To Arco Permian
 Street, Apt. No., or PO Box No. P.O. Box 1089
 City, State, ZIP+4 Eunice, NM 88231

PS Form 3800, May 2000 See Reverse for Instructions

7000 1530 0004 3841 7960

Myers B 9



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

A subsidiary of Magnum Hunter Resources, Inc. • An American Stock Exchange Company • "MHR"

OL 007 1001 D1
JUL 23 PM 12:50

July 18, 2001

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe New Mexico 87505
Attn: Ms. Lori Wrotenbery

Re: Myers B 9
NW/4, 13-24S-36E
Lea County New Mexico

Dear Ms. Wrotenbery:

The referenced well was permitted as a Langlie Mattix oil well, at an orthodox location of 990' FNL and 330' FWL of section 13-24S-36E. It was completed as a Jalmat gas well. The 160 acre spacing unit comprised of the NW/4 of section 13-24S-36E is dedicated to the Gruy Petroleum Management Co. Myers B 3 located 660' FNL and 1980' FWL of section 13.

In this regard, Gruy Petroleum Management Co. is requesting administrative approval of the unorthodox Jalmat gas location of the Myers B 9 and for simultaneous dedication of the Myers B 9 and B 3 wells in the 160-acre proration unit. A copy of this letter and attachments has been furnished by Certified Mail to offset operators as notice of this application.

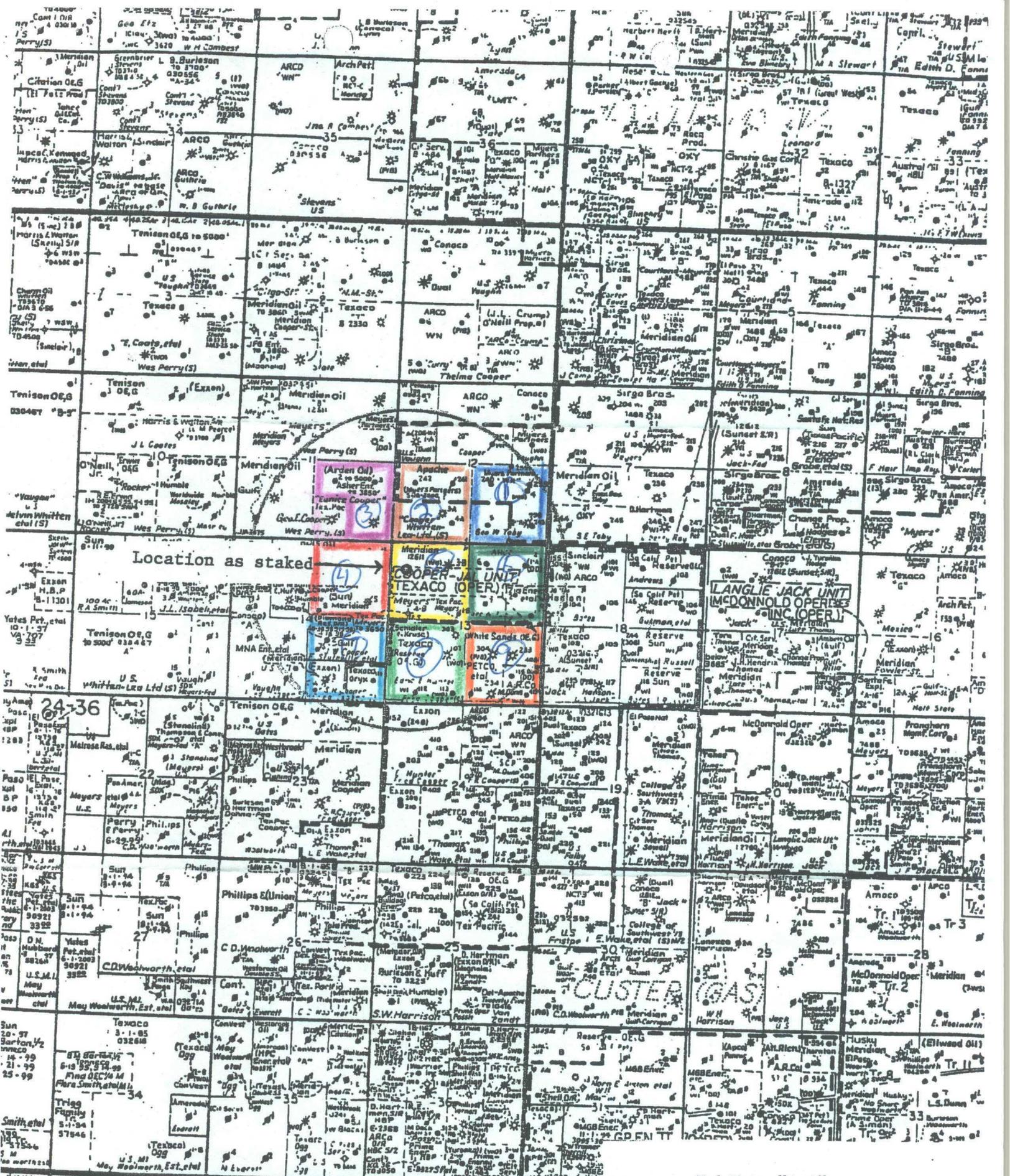
If you have any questions or require additional information concerning this application, please contact me at 972-443-6489.

Yours truly,

A handwritten signature in cursive script, appearing to read "Zeno Farris". The ink is dark and the signature is fluid and somewhat stylized.

Zeno Farris
Manager, Operations Administration

Cc: N.M.O.C.D. – Hobbs



Location as staked →

COOPER-JACK UNIT
TEXACO (OPER)

LANGLIE JACK UNIT
MCDONNOLD OPER

CLUSTER (GAS)

Exhibit "A-1"

Gruy Petroleum Management Co.
Myers B #9
Unit "D" Section 13
T24S R36E Lea County, NM

**NW/4, Section 13 Township 24S, Range 36E
Lea County, New Mexico, Containing 120 acres**

**RE: Myers B 9, Application for Unorthodox well Location and Simultaneous
Dedication.**

Notification of Offset Operators:

Texaco Exploration & Production, Inc.
P.O. Box 3109
Midland, Texas 79702

Lewis B. Burleson
P.O. box 2479
Midland, Texas 79702

Arco Permian
P.O. Box 1089
Eunice NM 88231

Prize Operating Co.
3500 William D Tate Ave. # 200
Grapevine Texas 76051

Please find attached proof of notification.

List of Offset SPU's
GRUY PETROLEUM MANAGEMENT CO.
Myers "B" 9
Jalmat Gas Pool

OFFSET SPU	COLOR CODE	Well Name	Location	OPERATOR	ACERAGE DESCRIPTION	ACRES
1	Dk Blue	GW Toby Gas WN Com 4	I-12-24-36	Arco Permian	SE/4 Sec. 12 T-24S-R-36E	160
2	Lt Brown	JW Cooper A 3	N-12-24-36	Prize Operating Co.	SW/4 Sec. 12 T-24S-R-36E	160
3	Purple	Eunice Cooper No. 1	P-11-24-36	Lewis B Burlison	N/2SE/4, SE/4SE/4 Sec 11 T-24S-R-36E	120
4	Red	JW Cooper No. 8	G-24-36	Gruy Pet. Management Co.	NE/4 Sec. 14 T-26S-R-36E	160
5	Yellow	Myers B No. 3 Myers B No. 9	C-13-24-36 D-11-24-36	Gruy Pet. Management Co. Gruy Pet. Management Co.	NW/4 Sec. 13 T-26S-R-36E	160
6	Dk Green	GW Toby 2 GW Toby 7	A-13-24-36 G-13-24-36	Arco Permian Arco Permian	NE/4 Sec. 13 T-26S-R-36E	160
7	Orange	None in Jalmat (Gas)		Texaco Exploration & Prod	SE/4 Sec. 13 T-26S-R-36E	160
8	Lt Green	Cooper Jal Unit No. 107	K-13-24-36	Texaco Exploration & Prod	SW/4 Sec. 13 T-26S-R-36E	160
9	Lt Blue	None in Jalmat (Gas)		Gruy Pet. Management Co.	SE/4 Sec. 14 T-26S-R-36E	160



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

July 23, 2001

Lori Wrotenberg
Director
Oil Conservation Division

Gruy Petroleum Management Company
Attention: Zeno Farris
P. O. Box 140907
Irving, Texas 75014-0907

Case 12723

RE: Administrative application of Gruy Petroleum Management Company for a location exception (application reference No. pKRV0-120540322) filed with the New Mexico Oil Conservation Division ("Division") on July 23, 2001 for its Myers "B" Well No. 9 (API No. 30-025-34769) located at an unorthodox infill Jalmat gas well location 990 feet from the North line and 330 feet from the West line (Unit D) of Section 13, Township 24 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, and for simultaneous dedication of gas production from two wells within an existing non-standard 160-acre gas spacing and proration unit (authorized by Division Administrative Order NSP-536, dated November 15, 1960) comprising the NW/4 of Section 13.

Dear Mr. Farris:

The Division is in receipt of an objection from Lewis B. Burleson, Inc. to the subject application, see copy of letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for September 6, 2001. I have prepared the following advertisement in this matter:

"Application of Gruy Petroleum Management Company for an unorthodox infill gas well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to the well location requirements provided within the "Special Rules and Regulations for the Jalmat Gas Pool", as promulgated by Division Order No. R-8170, as amended, for an unorthodox Jalmat infill gas well location for its recently drilled Myers "B" Well No. 9 (API No. 30-025-34769) located 990 feet from the North line and 330 feet from the West line (Unit D) of Section 13, Township 24 South, Range 36 East. Further, the applicant, pursuant to the rules governing the Jalmat Gas Pool and the amended Stipulated Declaratory Judgement issued by the First Judicial District Court in Santa Fe County, New Mexico on July 11, 2001, seeks to simultaneously dedicate Jalmat gas production from the above-described Myers "B" Well No. 9 and its Myers "B" Well No. 3 (API No. 30-025-09565), located at a standard gas well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 13, to the existing non-standard 160-acre gas spacing and proration unit (authorized by Division Administrative Order NSP-536, dated November 15, 1960) comprising the NW/4 of Section 13. This unit is located approximately 7.5 mile north-northwest of Jal, New Mexico".

Gruy Petroleum Management Company

August 8, 2001

Page 2

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
Lewis L. Burleson, Inc., Attention: Steven L. Burleson - Midland, Texas
Kathy Valdes - OCD, Santa Fe
William F. Carr, Legal Counsel for Gruy Petroleum Management Company - Santa Fe
W. Thomas Kellahin, Legal Counsel for Lewis B. Burleson, Inc. - Santa Fe

LEWIS B. BURLESON, INC.
OIL & GAS PROPERTIES

LEWIS B. BURLESON
PRESIDENT
STEVEN L. BURLESON
VICE-PRESIDENT
OWAYNE JARVIS
SUPERINTENDENT
OIL CONSERVATION DIV.
01 JUL 27 PM 12:59

July 24, 2001

Certified Mail #70993220000575503391
RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Division
Attention: Ms. Wrotenbery
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 12723

Re: Gruy Petroleum Management Co.
Myers B 9, NW/4, Section 13, T-24-S, R-36-E
Myers B 8, N/2NE/4, SW/4NE/4, Section 11, T-24-S, R-36-E
LEA COUNTY, NEW MEXICO

Dear Ms. Wrotenbery:

It has come to our attention that Gruy Petroleum Management Co. has completed two Jalmat gas wells at illegal locations in Sections 13 and 11, Township 24 South, Range 36 East, Lea County, New Mexico. Both of these wells are too close to our leasehold (S/2, Section 11, N/2N/2, Section 14), one being 330 feet from our lease line and the other one being 380 feet from our lease line. We hereby request that you order these illegal completions shut-in.

This letter also is our formal objection to completion of either one of these wells in the Jalmat Gas Pool. We will try to work these issues out with Gruy and if we can reach some equitable agreement, we will withdraw our objection.

Sincerely,



Steven L. Burleson
Vice-President

Xc: Hobbs Oil Conservation District
Gruy Petroleum Management Co.
Attn: Mr. Zeno Farris

F:\wp51\doc\gruymyers.doc

Lewis B. Burleson, Inc.
P. O. Box 2479
Midland, TX 79702

CERTIFIED MAIL



7099 3220 0005 7550 3391



0000

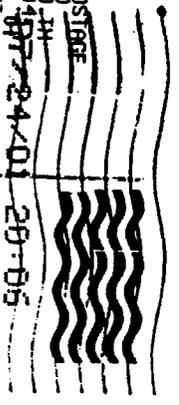


87505



U.S. POSTAGE PAID BY MIDLAND TX
POSTAL SERVICE
\$361
00058088-04

USA 33



**RETURN RECEIPT
REQUESTED**

New Mexico Oil Conservation Division
Attention: Lori Wrotenbery
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

575055+4000 11



West Millman-Wolfcamp Pool, Millman-Strawn Gas Pool, and Undesignated South Millman-Morrow Gas Pool. The unit is to be dedicated to applicant's Remington "18" St. Com. Well No. 1, to be drilled at an orthodox location in the NW/4 SE/4 of Section 18. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 9 miles southwest of Loco Hills, New Mexico.

CASE 12723: Application of Gruy Petroleum Management Company for an unorthodox infill gas well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to the well location requirements provided within the "*Special Rules and Regulations for the Jalmat Gas Pool*", as promulgated by Division Order No. R-8170, as amended, for an unorthodox Jalmat infill gas well location for its recently drilled Myers "B" Well No. 9 (API No. 30-025-34769) located 990 feet from the North line and 330 feet from the West line (Unit D) of Section 13, Township 24 South, Range 36 East. Further, the applicant, pursuant to the rules governing the Jalmat Gas Pool and the amended Stipulated Declaratory Judgement issued by the First Judicial District Court in Santa Fe County, New Mexico on July 11, 2001, seeks to simultaneously dedicate Jalmat gas production from the above-described Myers "B" Well No. 9 and its Myers "B" Well No. 3 (API No. 30-025-09565), located at a standard gas well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 13, to the existing non-standard 160-acre gas spacing and proration unit (authorized by Division Administrative Order NSP-536, dated November 15, 1960) comprising the NW/4 of Section 13. This unit is located approximately 7.5 miles north-northwest of Jal, New Mexico.

CASE 12724: Application of Gruy Petroleum Management Company for an unorthodox infill gas well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to the well location requirements provided within the "*Special Rules and Regulations for the Jalmat Gas Pool*", as promulgated by Division Order No. R-8170, as amended, for an unorthodox Jalmat infill gas well location for its recently drilled Myers "B" Well No. 8 (API No. 30-025-34768) located 2260 feet from the North line and 2310 feet from the East line (Unit G) of Section 11, Township 24 South, Range 36 East. Further, the applicant, pursuant to the rules governing the Jalmat Gas Pool and the amended Stipulated Declaratory Judgement issued by the First Judicial District Court in Santa Fe County, New Mexico on July 11, 2001, seeks to simultaneously dedicate Jalmat gas production from the above-described Myers "B" Well No. 8 and its Myers "B" Well No. 6 (API No. 30-025-31382), located at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 11, to a non-standard 120-acre gas spacing and proration unit (application pending before the Division's administrative review process) comprising the N/2 NE/4 of Section 11. This unit is located approximately 14.5 miles south-southwest of Eunice, New Mexico.

CASE 12725: Application of Amoco Production Company for an exception to the well density and location provisions of the special rules governing the Basin-Dakota Pool and to form a non-standard gas spacing unit and approval of an unorthodox gas well location within the West Kutz-Pictured Cliffs Pool, San Juan County, New Mexico. Applicant seeks an exception to the well location and well density requirements provided within the "*Special Rules for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, as amended by Division Order No. R-10987-B (1), in order to drill its Gallegos Canyon Unit Well No. 555 (API No. 30-045-30683) at an unorthodox gas well location 90 feet from the South line and 2465 feet from the East line (Unit O) of irregular Section 12, Township 28 North, Range 12 West, as a second infill gas well in the Basin-Dakota Pool within an existing non-standard 337.98-acre gas spacing and proration unit (approved by Division Order No. R-1814 and dated November 4, 1960) comprising Lots 1 and 2 and the S/2 SE/4 of irregular Section

MONTGOMERY & ANDREWS, P.A.

325 PASEO DE PERALTA
POST OFFICE BOX 2307
SANTA FE, NEW MEXICO 87504-2307

(505) 982-3873

(FAX) (505) 982-4289

September 4, 2001

TELECOPY COVER SHEET

TO: Mr. David Catanach

TELEFAX NO: (505) 476-3462

FROM: Paul R. Owen, Esq.

TELEPHONE NO: (505) 986-2538

TOTAL PAGES TO FOLLOW: 1

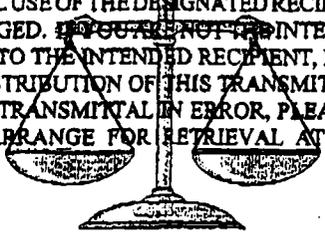
Message:

This fax is being sent from (505) 982-4289

CLIENT NAME: Burleson

CLIENT NO.: 12474-01-01

THE INFORMATION CONTAINED IN THIS FACSIMILE TRANSMITTAL IS INTENDED FOR THE PERSONAL AND CONFIDENTIAL USE OF THE DESIGNATED RECIPIENT. THIS TRANSMITTAL MAY BE CONFIDENTIAL OR PRIVILEGED. IF YOU ARE NOT THE INTENDED RECIPIENT OR AN AGENT RESPONSIBLE FOR DELIVERY TO THE INTENDED RECIPIENT, BE AWARE THAT ANY REVIEW, DISCLOSURE, COPYING OR DISTRIBUTION OF THIS TRANSMITTAL IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMITTAL IN ERROR, PLEASE NOTIFY US BY TELEPHONE IMMEDIATELY SO WE CAN ARRANGE FOR RETRIEVAL AT NO COST TO YOU (COLLECT 505/982-3873). THANK YOU.



MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

Paul R. Owen
Direct Dial (505) 986-2538
powen@montand.com

Post Office Box 2307
Santa Fe, New Mexico 87504-2307
325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873
Fax (505) 982-4289

September 4, 2001

VIA FACSIMILE

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Dr.,
Santa Fe, New Mexico 87505

Re: *New Mexico Oil Conservation Division Case No. 12723*
New Mexico Oil Conservation Division Case No. 12724
ApplicationS of Gruy Petroleum Management Company for unorthodox infill gas
well location and simultaneous dedication, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Pursuant to the terms of a September 4, 2001 letter agreement between my client Lewis Burleson Inc. ("Burleson") and Gruy Petroleum Management Company, my client hereby withdraws its objection to the relief sought by Gruy in the above-captioned cases.

Please let me know if you have any questions.

Very truly yours,


Paul R. Owen

cc: Mr. Steve Burleson (via facsimile)
Lewis Burleson, Inc.

Holland & Hart (via facsimile)
Michael Feldewert, Esq.

David Catanach, Hearing Examiner
New Mexico Oil Conservation Division

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/27/01 17:27:21
OGOMES -TPEY
PAGE NO: 1

Sec : 13 Twp : 24S Rng : 36E Section Type : NORMAL

D 40.00 Federal owned A	C 40.00 Federal owned A	B 40.00 Fee owned A	A 40.00 Fee owned A
E 40.00 Federal owned	F 40.00 Federal owned	G 40.00 Fee owned A	H 40.00 Fee owned P A

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/27/01 17:27:25
OGOMES -TPEY
PAGE NO: 2

Sec : 13 Twp : 24S Rng : 36E Section Type : NORMAL

L 40.00 Fee owned	K 40.00 Fee owned A A	J 40.00 Fee owned A	I 40.00 Fee owned P
M 40.00 Fee owned A	N 40.00 Fee owned P	O 40.00 Fee owned A A	P 40.00 Fee owned A A A

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD : ONGARD 07/27/01 17:27:51
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPEY

OGRID Idn : 162683 API Well No: 30 25 34769 APD Status(A/C/P): A
Opr Name, Addr: GRUY PETROLEUM MANAGEMENT CO. Aprvl/Cncl Date : 11-18-1999
PO BOX 140907
IRVING, TX 75014-0907

Prop Idn: 21783 MYERS B Well No: 9

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
	---	---	-----	-----	-----	-----	-----	-----
Surface Locn	: D	13	24S	36E			FTG 990 F N	FTG 330 F W
OCD U/L	: D		API County	: 25				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): O Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 3338

State Lease No: Multiple Comp (S/M/C) : S
Prpsd Depth : 3900 Prpsd Frmtn : 7 RVRS QN GB

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

CMD :
OG6IWCM

ONGARD
INQUIRE WELL COMPLETIONS

07/27/01 17:28:13
OGOMES -TPEY

API Well No : 30 25 9565 Eff Date : 11-24-1997 WC Status : A
Pool Idn : 79240 JALMAT;TAN-YATES-7 RVRS (PRO GAS)
OGRID Idn : 162683 GRUY PETROLEUM MANAGEMENT CO.
Prop Idn : 21783 MYERS B

Well No : 003
GL Elevation: 3326

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
B.H. Locn	: C	13	24S	36E	FTG 660 F N	FTG 1980 F W	A

Lot Identifier:

Dedicated Acre: 160.00

Lease Type : F

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC

CMD : ONGARD 07/27/01 17:28:25
OG6ACRE C102-DEDICATE ACREAGE OGOMES -TPEY
Page No : 1

API Well No : 30 25 9565 Eff Date : 04-30-1991
Pool Idn : 79240 JALMAT;TAN-YATES-7 RVRS (PRO GAS)
Prop Idn : 21783 MYERS B Well No : 003
Spacing Unit : 37962 OCD Order : Simultaneous Dedication:
Sect/Twp/Rng : Acreage : 160.00 Revised C102? (Y/N) :
Dedicated Land:

S	Base	U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
	C	13		24S	36E	40.00	N	FD		
	D	13		24S	36E	40.00	N	FD		
	E	13		24S	36E	40.00	N	FD		
	F	13		24S	36E	40.00	N	FD		

E0005: Enter data to modify or PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD :
OG6IPRD

ONGARD
INQUIRE PRODUCTION BY POOL/WELL

07/27/01 17:28:36
OGOMES -TPEY
Page No: 1

OGRID Identifier : 162683 GRUY PETROLEUM MANAGEMENT CO.
Pool Identifier : 79240 JALMAT;TAN-YATES-7 RVRS (PRO GAS)
API Well No : 30 25 9565 Report Period - From : 01 2000 To : 06 2001

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30 25 9565	MYERS B	01 00 31	1626	P
30 25 9565	MYERS B	02 00 29	1396	P
30 25 9565	MYERS B	03 00 31	1553	17 P
30 25 9565	MYERS B	04 00 30	1418	P
30 25 9565	MYERS B	05 00 31	1692	P
30 25 9565	MYERS B	06 00 30	1426	P
30 25 9565	MYERS B	07 00 31	1429	P

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11 NXTOGD	PF12

CMD :
OG6IPRD

ONGARD
INQUIRE PRODUCTION BY POOL/WELL

07/27/01 17:28:39
OGOMES -TPEY
Page No: 2

OGRID Identifier : 162683 GRUY PETROLEUM MANAGEMENT CO.
Pool Identifier : 79240 JALMAT;TAN-YATES-7 RVRS (PRO GAS)
API Well No : 30 25 9565 Report Period - From : 01 2000 To : 06 2001

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30 25 9565	MYERS B	08 00 31	1577	P
30 25 9565	MYERS B	09 00 30	1395	4 P
30 25 9565	MYERS B	10 00 31	1446	6 P
30 25 9565	MYERS B	11 00 30	1145	4 P
30 25 9565	MYERS B	12 00 31	1322	P
30 25 9565	MYERS B	01 01 31	1213	4 P
30 25 9565	MYERS B	02 01 28	1102	P

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11 NXTOGD	PF12

CMD :
OG6IPRD

ONGARD
INQUIRE PRODUCTION BY POOL/WELL

07/27/01 17:28:41
OGOMES -TPEY
Page No: 3

OGRID Identifier : 162683 GRUY PETROLEUM MANAGEMENT CO.
Pool Identifier : 79240 JALMAT;TAN-YATES-7 RVRS (PRO GAS)
API Well No : 30 25 9565 Report Period - From : 01 2000 To : 06 2001

API Well No	Property Name	Prodn. Days			Production Volumes			Well Stat
		MM/YY	Prod		Gas	Oil	Water	
30 25 9565	MYERS B	03 01	31		1357		118	P
30 25 9565	MYERS B	04 01	30		1073			P
30 25 9565	MYERS B	05 01	31		1213			P

Reporting Period Total (Gas, Oil) :	23383	153
-------------------------------------	-------	-----

E0049: User may continue scrolling.

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11 NXTOGD	PF12

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 15, 1960

Olsen Oils, Inc.
P. O. Box 691
Jal, New Mexico

Attention: Mr. Johnnie French

Administrative Order NSP-536

Gentlemen:

Reference is made to your application for approval of a 160-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the following acreage:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 13: NW/4

It is understood that this unit is to be dedicated to your Myers B Well No. 3, located 660 feet from the North line and 1900 feet from the West line of said Section 13.

By authority granted me under provisions of Order No. R-1670, you are hereby authorized to operate the above described acreage as a non-standard gas proration unit, with allowable to be assigned thereto in accordance with the pool rules, based upon the unit size of 160 acres.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/OEP/og

cc: Oil Conservation Commission - Hobbs
Oil & Gas Engineering Committee - Hobbs

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
1625 N. French Dr.
Hobbs, NM 88240

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM12611
2. Name of Operator Gruy Petroleum Management Co.		6. If Indian, Allottee or Tribe Name
3a. Address P.O. Box 140907 Irving, TX 75014-0907	3b. Phone No. (include area code) 972-401-3111	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 990 FNL & 330' FWL; Sec. 13 T24S R36E		8. Well Name and No. Myers "B" 9
		9. API Well No. 30-025-34769
		10. Field and Pool, or Exploratory Area Jalmat-Tan-Yates-7Rvrs (Gas)
		11. County or Parish, State Lea, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Surface & Production Casing</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

3-10-01 Spud well 4:30 PM

3-11-01 Set 8 5/8" 24# J-55 casing @ 755'. Cement w 450 sx 35/65 C. Circulate to surface. WOC 29 hrs

3-18-01 Set 5 1/2" 15.5 # J-55 casing @ 3933'. Cement w 675 sx 50/50 POZ C. Circulate to surface. WOC 8 days
Rig release 6:00 AM 3-18-01

14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Susan Austin-Morse	Title Sr. Production Analyst
Signature <i>Susan Austin-Morse</i>	Date June 12, 2001

ACCEPTED FOR RECORD THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (ORIG. SGD.) DAVID R. GLASS	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant has legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CW + Habbe
FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM12611

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Myers "B" 9

9. API Well No.
30-025-34769

10. Field and Pool, or Exploratory Area
Langlie Matix (Oil)

11. County or Parish, State

Lea, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	_____
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	_____

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Gruy Petroleum Management respectfully requests an extension of the "Application for Permit to Drill" for the above referenced well.

Approved For 12 Month Period

Ending 11/18/2001

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)
Susan Austin-Morse

Title
Sr. Production Analyst

Signature
Susan Austin-Morse

Date
November 3, 2000

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by
(ORIG. SGD.) JOE G. LARA

Title **Petroleum Engineer** Date 2/22/2001

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office
CFO

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*

FORM APPROVED

OMB NO. 1004-0136

Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

(Other instructions on reverse side)

5. LEASE DESIGNATION AND SERIAL NO.

NMNM - 12611

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Myers "B" 9

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT

Langlie Matix (Oil)

11. SEC. T., R., M., BLOCK AND SURVEY

OR AREA

13-T-24S-R-36E

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL

DEEPEN

1b. TYPE OF WELL

OIL GAS

SINGLE

MULTIPLE

WELL WELL

OTHER

ZONE

ZONE

2. NAME OF OPERATOR

Gruy Petroleum Management Co.

3. ADDRESS AND TELEPHONE NO.

P.O. Box 140907 Irving TX 75014 972-401-3111

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

990 FNL & 330' FWL *D*

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

6 miles NW from Jal New Mexico

12. COUNTY OR PARISH

Lea

13. STATE

NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O

330'

16. NO. OF ACRES IN LEASE

440

17. NO. OF ACRES ASSIGNED TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

1682'

19. PROPOSED DEPTH

3900'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3338

22. APPROX. DATE WORK WILL START*

When Approved

23 PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	K-55 8 5/8"	24#	50'	400 sx circulate
7 7/8"	K-55 5 1/2"	15.5#	3900'	1000 sx circulate

The proposed well will be drilled to a depth of 3900' and completed as a Langlie Matix (Seven Rivers - Queen) producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000 - psi BOP system.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24 SIGNED Zeno Faris TITLE Mgr. Ops. Admin. DATE 10-12-99

(This space for Federal or State office use)

PERMIT No. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /S/LARRY D. BRAY TITLE Assistant Field Office Manager DATE NOV 18 1999
Lands and Minerals

*See Instructions On Reverse Side

APPROVED FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1984
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34769	Pool Code 37240	Pool Name Langlie Mattix (Oil)
Property Code 21753	Property Name MYERS B	Well Number 9
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT CO.	Elevation 3338

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	24 S	36 E		990	NORTH	330	WEST	LEA

Bottom Hole Location If Different From Surface

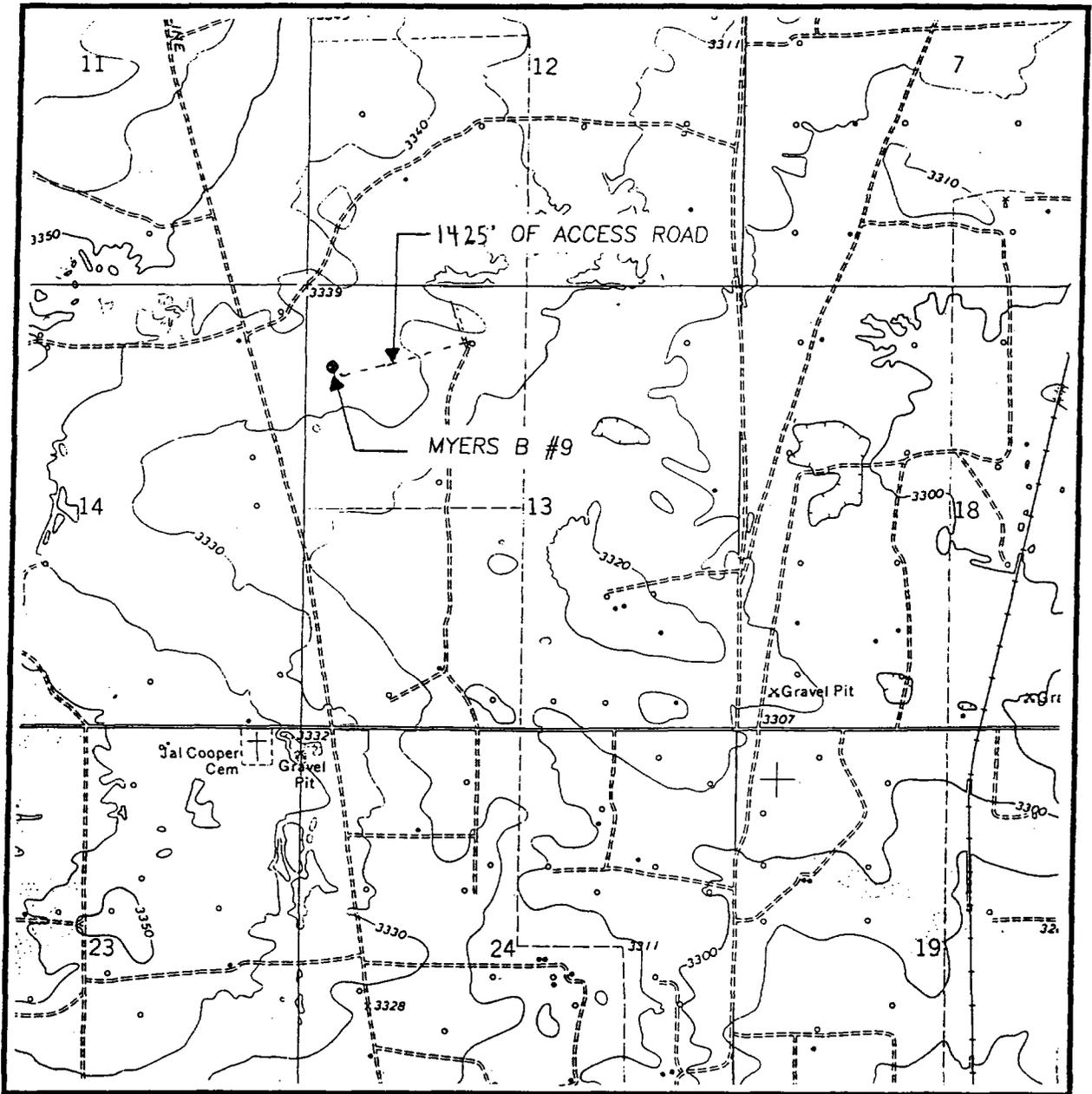
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill N	Consolidation Code	Order No.
-----------------------	----------------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i></p> <p>Signature</p> <p>Zeno Farris</p> <p>Printed Name</p> <p>Mgr., Ops. Admin.</p> <p>Title</p> <p>October 18, 1999</p> <p>Date</p>	
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>SEPTEMBER 14, 1999</p> <p>Date Surveyed _____ DC</p> <p>Signature <i>Ronald E. Eidsen</i></p> <p>Professional Surveyor</p> <p>RONALD E. EIDSEN</p> <p>REGISTERED PROFESSIONAL SURVEYOR</p> <p>NEW MEXICO</p> <p>3239</p> <p>9-11-081</p> <p>30-99</p> <p>Certificate No. RONALD E. EIDSEN 3239</p> <p>SARY EIDSEN 12641</p> <p>RONALD EIDSEN 12185</p>	

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
JAL NW - 10'

SEC. 13 TWP. 24-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 990' FNL & 330' FWL

ELEVATION 3338

OPERATOR GRUY PETROLEUM
MANAGEMENT CO.

LEASE MYERS B

**JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117**

U.S.G.S. TOPOGRAPHIC MAP

JAL NW, N.M.

Operator - Landowner Agreement

Company: Gruy Petroleum Management Co.
Proposed Well: Myers "B" No. 9
Federal Lease Number: NMNM - 12611

This is to advise that Gruy Petroleum Management Co. has an agreement with: RRR Cattle Company, P.O. Box 157, Jal, NM 88252, the surface owner, concerning entry and surface restoration after completion of drilling operations at the above described well.

After abandonment of the well, all pits will be filled and levelled, and all equipment and trash will be removed from the well site. No other requirements were made concerning restoration of the well site.

10/17/99
Date

Zeno Farris
Signature Zeno Farris
Manager, Operations Administration



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1100 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
2909 West 2nd Street
Roswell New Mexico 88201-2019
Attn: Ms. Linda Askwig

Gruy Petroleum Management Co. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No.: NMNM - 12611

Legal Description: NW/4NW/4 Sec 13, T24S-R36E
Containing 40.00 acres, Lea County New Mexico

Formation (S): Seven Rivers - Queen

Bond Coverage: Nationwide BLM Bond

BLM Bond File No.: NM 2575

Authorized Signature: Zeno Farris
Representing Gruy Petroleum Management Co.

Name: Zeno Farris

Title: Manager, Operations Administration

Date: 10/15/99

Application to Drill

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1 Location: 990' FNL & 330' FWL Sec. 13 24S - 36E

2 Elevation above sea level: GR 3338'

3 Geologic name of surface formation: Quaternary Aeolian Deposits

4 Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.

5 Proposed drilling depth: 3900'

6 Estimated tops of geological markers:

Rustler Anhydrite	1325'	7 Rivers	3230'
Yates	3000'	Queen	3620'

7 Possible mineral bearing formation:

Yates	Gas
7 Rivers	Gas
Queen	Oil

8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
12 1/4"	0-750'	8 5/8"	24	8-R	ST&C	J-55
7 7/8"	0-3900'	5 1/2"	15.5	8-R	ST&C	J-55

Application to Drill

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

9 Cementing & Setting Depth:

8 5/8"	Surface	Set 750' of 8 5/8" J-55 24# ST&C casing. Cement with 400 Sx. Of Class "C" cement + additives, circulate cement to surface.
5 1/2"	Production	Set 3900' of 5 1/2" J-55 15.5# ST&C casing. Cement in two stages, first stage cement with 400 Sx. Of Class "C" Cement + additives, second stage cement with 600 Sx. Of Class "C" Halco Light + additives, circulate cement to surface.

10 Pressure control Equipment:

Exhibit "E". A series 900 3000PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP unit will be hydraulically operated. Exhibit "E-1" is a Choke manifold and closing unit. BOP will be nipped up on the 8 5/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. Flo sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0 - 750'	8.6 - 8.9	29 - 36	NC	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
750 - 3900'	10 - 10 - 3	29 - 38	NC	Brine water add paper as needed to control seepage and add lime to control pH, Use high viscosity sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs

Application to Drill

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

12 Testing, Logging and Coring Program:

- A. Open hole logs: Dual Laterolog, Side Wall Neutron, Density Gamma Ray Caliper from TD to 750'
- B. Run Gamma Ray, Neutron from 750' to surface.
- C. No DST's, cores or Mud Logger are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H₂S detectors will be in place to detect any pressure. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 750 PSI, estimated BHT 120 .

14 Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 10 - 15 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15 Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The 7 Rivers Queen pay will be perforated and stimulated. The well will be swab tested and potentialized as an oil well.

Hydrogen Sulfide Drilling Operations Plan

- 1 All Company and Contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:
 - A. Characteristics of H2S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H2S detectors, warning system and briefing
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.

- 2 H2S Detection and Alarm Systems
 - A. H2S detectors and audio alarm system to be located at bell nipple, end of bloolie line (mud pit) and on derrick floor or doghouse.

- 3 Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.

- 4 Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H2S present in dangerous concentration. Only emergency personnel admitted to location.

- 5 Well control equipment
 - A. See exhibit "E"

- 6 Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

- 7 Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed DST will be performed.

Hydrogen Sulfide Drilling Operations Plan

- 8 Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.

- 9 If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.

Surface Use Plan

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

- 1 Existing Roads: Area maps, Exhibit "B" is a reproduction of Lea Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From Jal New Mexico take State Hi-way 18 North 7 miles. Turn West at mile marker 15 on Cooper Cemetary Road for 1.5 miles. Turn right, go North for .9 miles. Well is at end of newly constructed access road.
 - C. Construct power lines and lay pipelines that will be necessary to produce this lease along road R-O-W.

- 2 PLANNED ACCESS ROADS: Approximately 1425' of new road will be constructed.
 - A. The access road will be crowned and ditched to a 12' 00" wide travel surface with a 40' right-fo-way.
 - B. Gradient on all roads will be less than 5.00%.
 - C. No turnouts will be necessary.
 - D. If needed road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Ceterline for the new access road has been flagged. Earthwork will be required by field conditions.
 - F. Cilverts in the aces road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the topography

- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells - None known
 - B. Disposal wells - None known
 - C. Drilling wells - None known
 - D. Producing wells - As shown on Exhibit "A-1"
 - E. Abandoned wells - As shown on Exhibit "A-1"

Surface Use Plan

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

- 4 If, on completion this well is a producer Gruy Petroleum Management Co. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5 LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6 SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit "C".

7 METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quarters will drain into holes with a minimum depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8 ANCILLARY FACILITIES:

- A. No camps or airstrips to be constructed.

Surface Use Plan

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

9 WELL SITE LAYOUT

- A. Exhibit "D" shows location and rig layout.
- B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined, unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 6 mils thick. Pit liner will extend a minimum, 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10 PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recoutered to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

Surface Use Plan

Gruy Petroleum Management Co.
Myers B No. 9
Unit Letter D Section 13
T24S - R36E Lea County, NM

11 OTHER INFORMATION:

- A. Topography consists of sand dunes. Vegetation is mainly native grasses and Mesquite trees with Shinnery Oak.
- B. Surface is owned by Kelly Myers, and minerals are owned by The Bureau of Land Management, The U.S. DEPARTMENT OF THE INTERIOR. The surface is used mainly for grazing of livestock and the production of Oil & Gas.
- C. An Archaeological survey will be conducted of the location and proposed roads, then this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. There are no known dwellings within 1 1/2 mile of this location.

12 OPERATORS REPRESENTATIVE:

Gruy Petroleum Management Company
P.O. Box 14097
Irving, TX 75014
Office Phone: (972) 443-6489
Zeno Farris

- 13 **CERTIFICATION:** I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exists; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Gruy Petroleum Management Company contractors/subcontractors in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME: Zeno Farris

DATE: 10-17-99

TITLE: Manager, Operations Administration

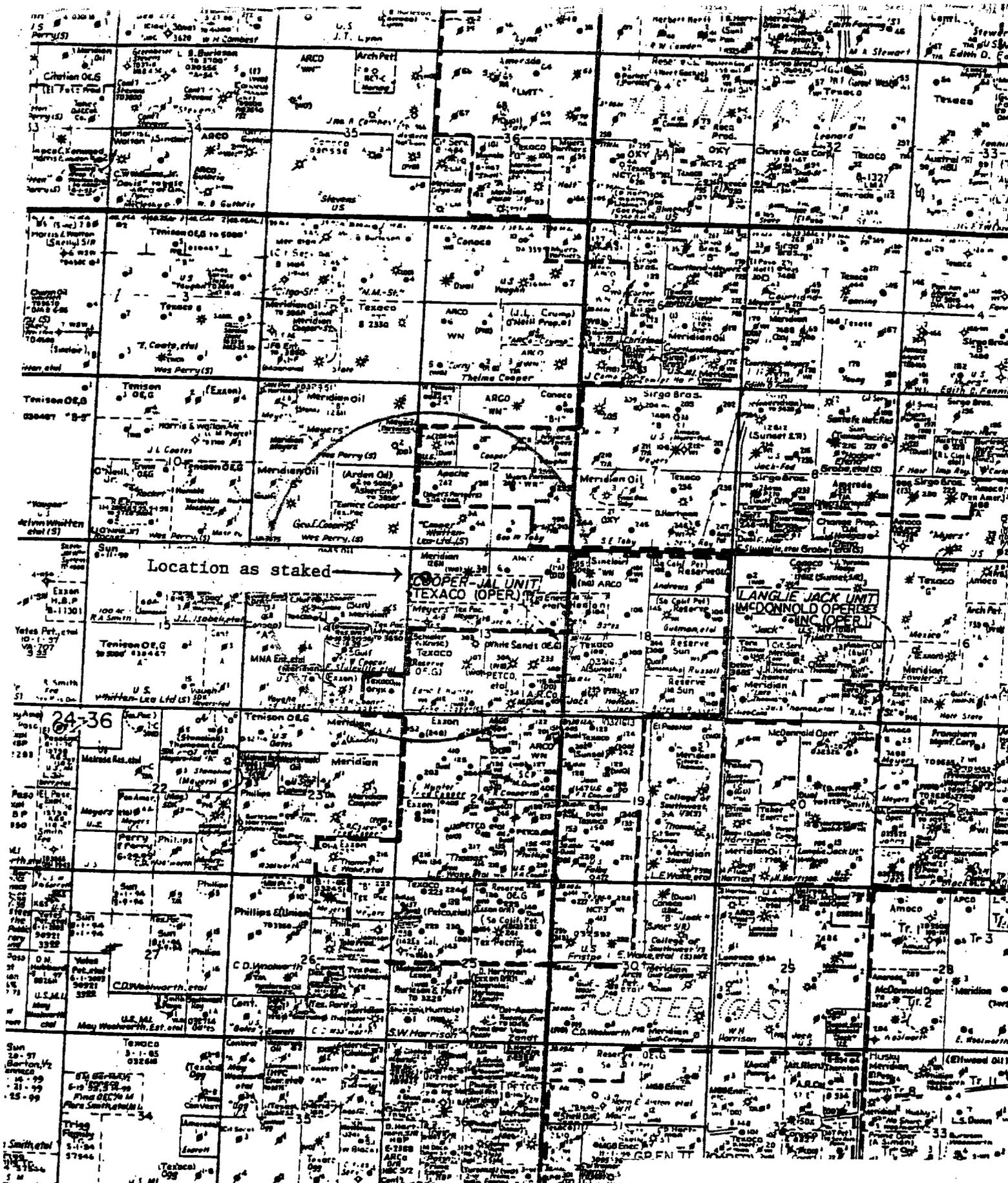
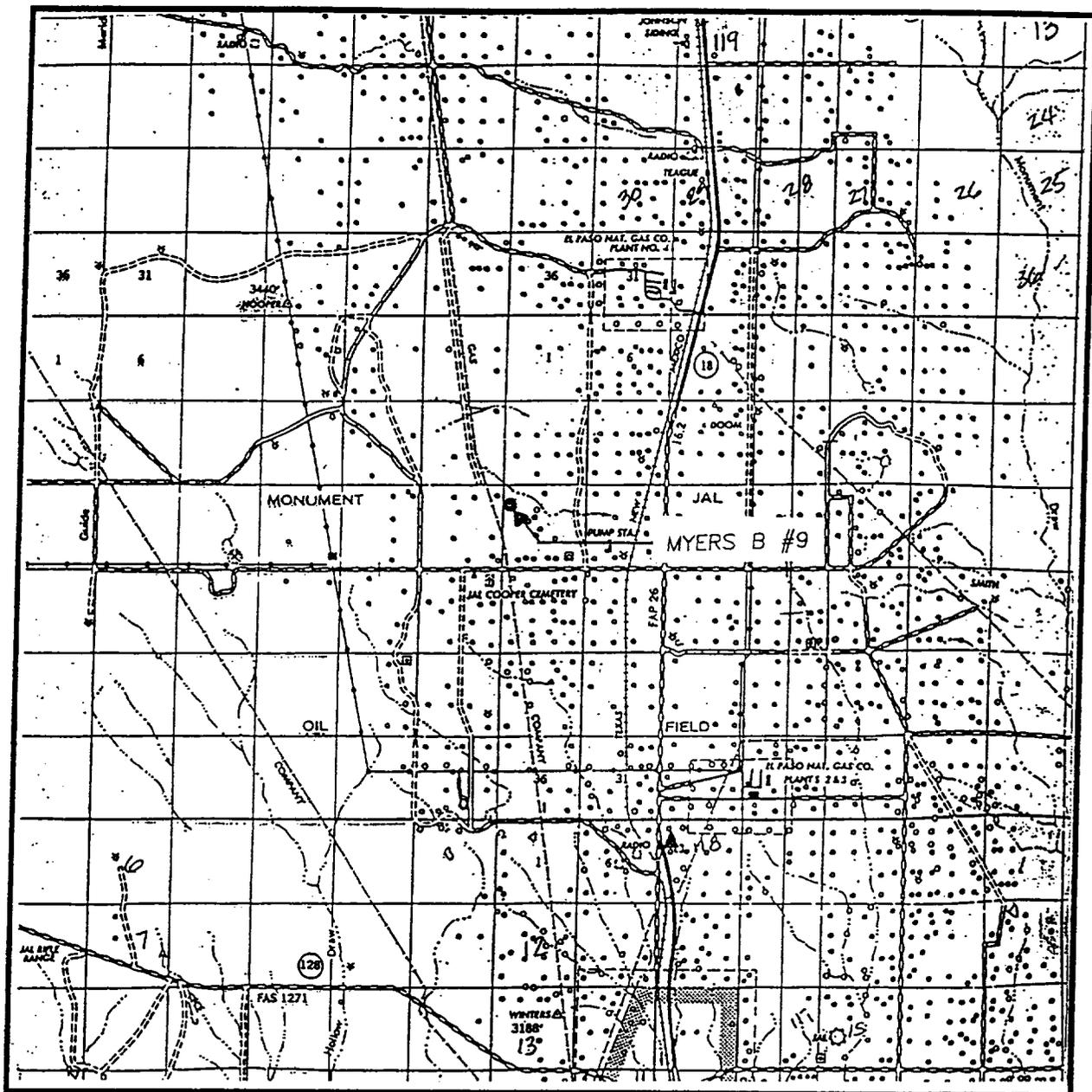


Exhibit "A-1"
 One Mile Radius Map
 Gruy Petroleum Management Co.
 Myers B #9
 Unit "D" Section 13
 T24S R36E Lea County, NM

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 13 TWP. 24-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 990' FNL & 330' FWL

ELEVATION 3338

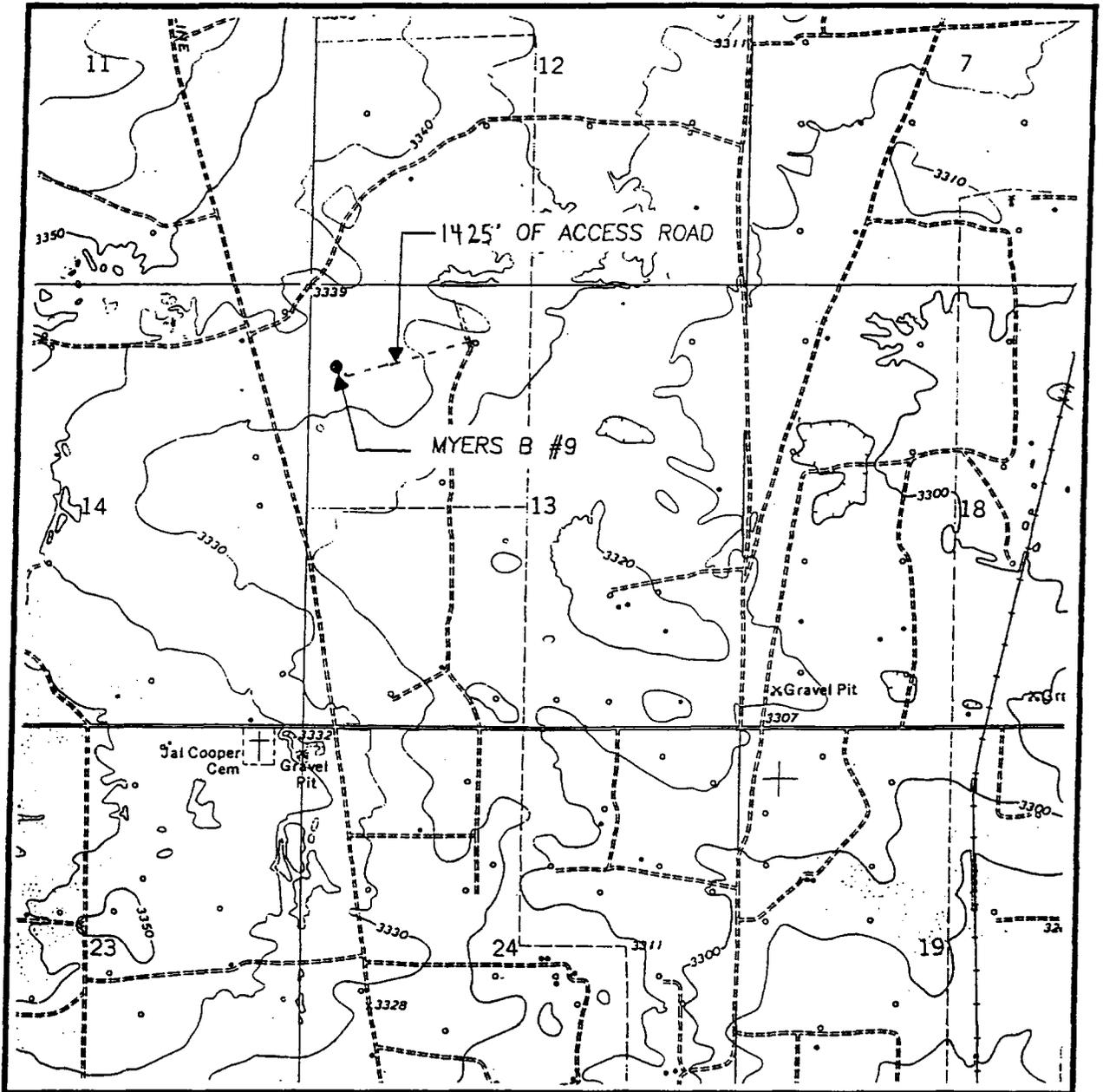
OPERATOR GRUY PETROLEUM
MANAGEMENT CO.

LEASE MYERS B

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Exhibit "B"
Location and Access Road Map
Myers B #9
Section 13D T24S-R36E

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
JAL NW - 10'

SEC. 13 TWP. 24-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 990' FNL & 330' FWL

ELEVATION 3338

OPERATOR GRUY PETROLEUM
MANAGEMENT CO.

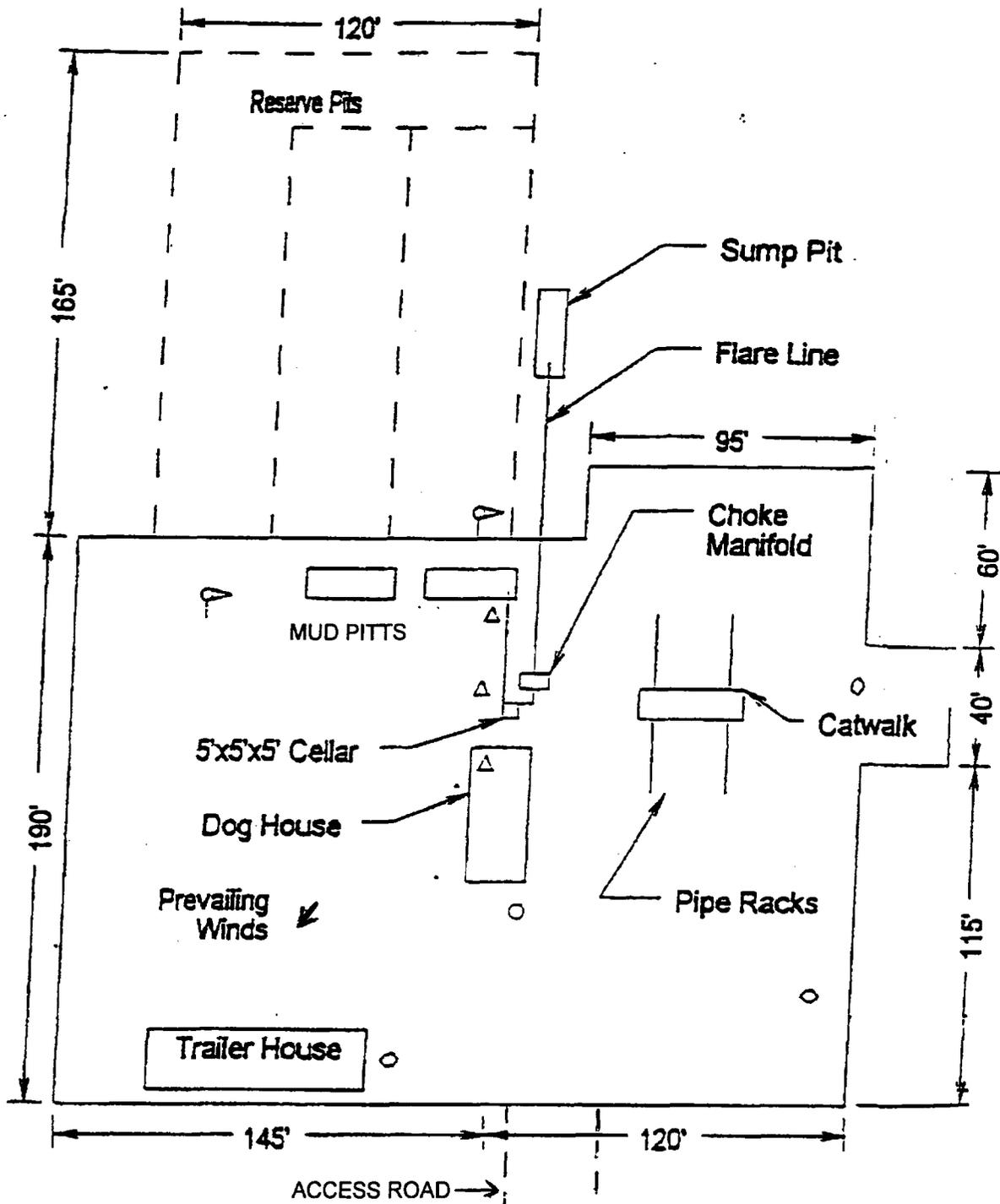
LEASE MYERS B

U.S.G.S. TOPOGRAPHIC MAP

JAL NW, N.M.

**JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117**

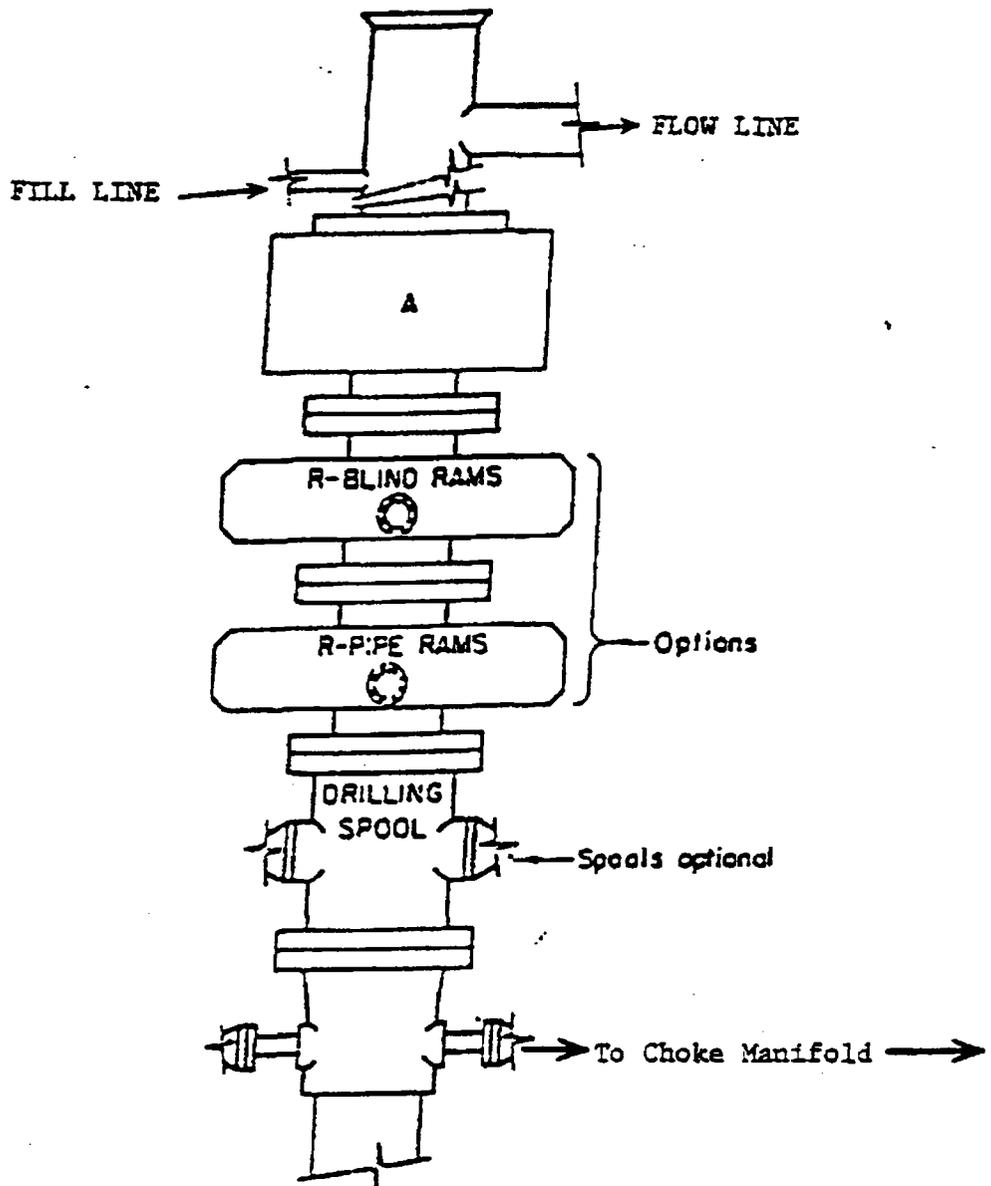
Exhibit "C"
Topographic Map Showing Roads and Directions to
Myers B #9
Section 13D T24-R36E



- ☞ Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT "D"
RIG LAYOUT PLAT
 Gruy Petroleum Management Co.
 Myers "B" No. 9

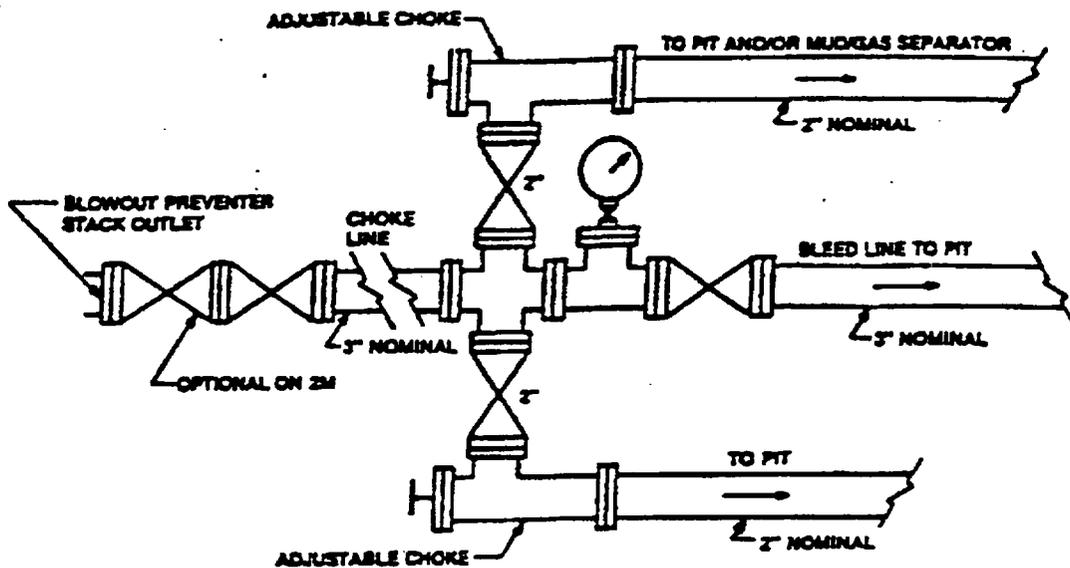
Unit "D" Section 13
 T24s - R36E Lea Co. NM



ARRANGEMENT SBRA

900 Series
3000 PSI WP

EXHIBIT "E"	
B.O.P. SKETCH TO BE USED	
Gruy Petroleum Management	
Myers B No. 9	
Unit "D"	Section 13
T24S - R36E	Lea Co. NM



Typical choke manifold assembly for 3M WP system

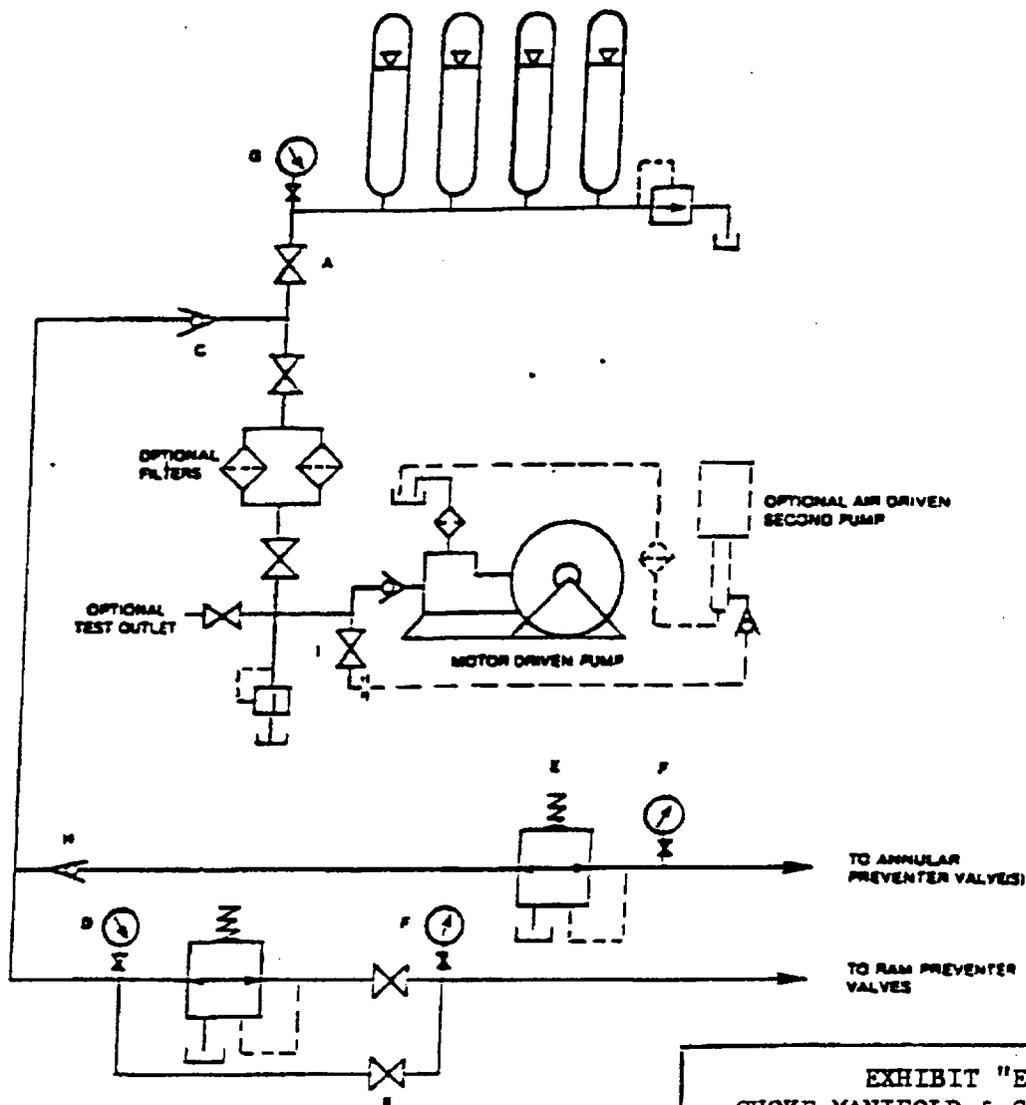


EXHIBIT "E-1"
 CHOKE MANIFOLD & CLOSING UNIT
 Gryu Petroleum Management Co.
 Myers B No. 9
 Unit "D" Section 13
 T24S - R36E Lea Co. NM



Estetive 7-11-01

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenberg
Director
Oil Conservation Division

July 5, 2001

James A. Hall
District Judge, Division II
First Judicial District Court
P.O. Box 2268
Santa Fe, New Mexico 87504

Re: *Doyle Hartman, Oil Operator v. The New Mexico Oil Conservation Division, Lori Wrotenberg, Division Director, First Judicial District Cause No. D-0101-CV9902927*

Dear Judge Hall,

Counsel for the Division in this matter, Lyn Hebert, has left the Energy, Minerals and Natural Resources Department and for the time being I am handling this matter.

Please find enclosed the original and several copies of a proposed Amended Stipulated Declaratory Judgment in the above-referenced case. If appropriate, the parties desire that you execute the Amended Judgment.

As you recall, the parties agreed to entry of a Stipulated Declaratory Judgment, which was executed and filed on January 4, 2001. Since entry of the Judgment, minor issues have arisen with regard to its proper interpretation, and the parties conferred recently and agreed to minor amendments to clarify its meaning. The changes from the original Judgment are found in paragraph 2 and paragraph 3.

If you desire further explanation of the changes, I will be happy to request a hearing for presentment.

Thank you very much for your further consideration of this matter.

Sincerely,

Stephen C. Ross
Assistant General Counsel

Cc: J.E. Gallegos

**FIRST JUDICIAL DISTRICT
STATE OF NEW MEXICO
COUNTY OF SANTA FE**

DOYLE HARTMAN, OIL OPERATOR,

Plaintiff,

v.

No. D-0101-CV9902927

**NEW MEXICO OIL CONSERVATION
DIVISION, LORI WROTENBERY, DIVISION
DIRECTOR,**

Defendants.

AMENDED STIPULATED DECLARATORY JUDGMENT

Plaintiff Doyle Hartman, Oil Operator filed his Motion for Summary Judgment herein on December 15, 2000, which was supported by a Memorandum and Affidavit of Linda Land. The defendants New Mexico Oil Conservation Division ("Division") and Lori Wrotenbery, Division Director, agreed to the granting of the plaintiff's motion by the entry of a Declaratory Judgment and that judgment should be modified to provide the terms hereafter stated and the Court being fully advised IT IS THEREFORE ORDERED AND DECREED as follows:

1. The approval of drilling an additional well or wells on a spacing unit ("infill drilling") in the Eumont and Jalmat Gas Pools shall be administered in a manner that affords due process to affected parties, including notice, an opportunity to object and in the case of objection a right to public hearing in accordance with Division Rule 104.
2. In accordance with those principles it is provided that in the event an operator files an application with the Division for approval of an additional well or wells

in the Eumont Gas Pool or the Jalmat Gas Pool, which if allowed would result in spacing of less than 160 acres per well on a proration unit, the infill well or wells may be permitted only after notice pursuant to Division Rule 1207A(2) and opportunity for hearing for affected persons. Once notice is provided, the Division may process the application in a manner consistent with paragraph 3, herein, and otherwise consistent with the Division's practice, its Rules and Regulations and the Oil and Gas Act.

3. If no affected person timely objects and Division rules allow for administrative approval of the application, the application may be processed administratively and approved or denied by the Division without hearing. If an affected person timely objects, the Division shall set the matter for hearing.

4. This order will not impact or affect any administrative approvals issued prior to December 15, 2000, except for those orders which were the subject of this litigation.

5. Each party shall bear their own costs and fees incurred in this matter.

JAMES A. HALL
DISTRICT COURT JUDGE

AGREED AND APPROVED:

GALLEGOS LAW FIRM, P.C.

By  _____
J.E. GALLEGOS
MICHAEL J. CONDON
Attorneys for Doyle Hartman, Oil Operator

By 

STEPHEN C. ROSS
Attorney for New Mexico Oil Conservation
Division and Lori Wrotenbery, Director



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

NOTICE

TO: All Oil and Gas Operators, Mineral Interest Owners,
and Interested Parties

FROM: Lori Wrotenbery, Director *LW*

SUBJECT: Implementation of Amended Division Rule 104

DATE: October 25, 1999

Amendments to Division Rule 104 "Well Spacing and Location," adopted by the New Mexico Oil Conservation Commission in Order R-11231 (Case 12119) on August 12, 1999, became effective August 31, 1999. Attached to this notice are copies of Order No. R-11232, with the amended Rule 104 attached, and the recently amended Rule 1207 concerning notice requirements.

Summary of Changes

The amendments made five main changes in Rule 104:

- (1) the rule has been shortened and reorganized;
- (2) well location setbacks for all gas development on 160-acre spacing throughout the State are now standardized at 660 feet from the outer boundary of the quarter section line;
- (3) well location setbacks for deep gas development on 320-acre spacing in Southeast New Mexico have been relaxed from 1650 feet from an end boundary to 660 feet;
- (4) one optional infill well is now allowed within 320-acre deep gas units in Southeast New Mexico; and
- (5) interior 330-foot setbacks from quarter-quarter section lines for both 160-acre and 320-acre gas units governed by Rule 104 have been reduced to 10 feet.

Effect of Changes

Since the primary objectives of the rule changes were to grant operators increased flexibility in locating wells and decrease the number of applications for unorthodox locations, all future location

October 25, 1999

Page 2

exceptions will require substantial justification, *i.e.*, unusual circumstances. Please also note the recent changes made to the notice requirements for unorthodox locations found in Division Rule 1207.A(2).

Furthermore, the well location requirement for oil wells on 40-acre spacing **has not** changed and remains 330 feet from the quarter-quarter section. Operators need to be wary if a well's main objective is a deeper gas-producing interval but there is the possibility of oil production and the location is closer to an interior quarter-quarter section line than 330 feet. In order to complete the well in a shallower oil-producing horizon, the operator will be required to obtain an exception for the unorthodox oil well location. Location exceptions in this situation will not be granted unless unusual circumstances justify the location, and the closer a well is to a neighboring property, the harder it will be to obtain an exception. For example, if the well is only 10 feet off a neighboring property, it is highly unlikely an exception will be granted.

Regarding the new provision authorizing one infill well in a 320-acre deep gas unit in Southeast New Mexico, application can be made to adopt or amend special pool rules to limit the number of wells per spacing unit in any pool where infill wells are not justified. The notice requirements for special pool rules were also recently amended to accommodate this type of action. See Division Rule 1207.A(4).

Unless otherwise provided by special pool rules or amended Rule 104 (*e.g.*, the infill provision for deep gas pools in Southeast New Mexico), only one well per spacing unit is permitted in non-prorated pools. The Division Director, however, may grant administrative exceptions in appropriate circumstances.

Effect on Existing Orders

Any existing special pool rule or other order specific to well locations (*e.g.*, a production penalty on an unorthodox well location now standard under amended Rule 104) shall remain in full force and effect until the order is amended. Operators should review these orders to determine whether to file applications to conform the orders to amended Rule 104.

In the near future, a hearing will be held before a Division Hearing Examiner addressing the few deep gas pools in Southeast New Mexico still spaced on 160 acres. At the hearing, the Division will consider whether to issue an order listing these pools and setting forth setback requirements mirroring, if applicable, the setbacks for shallow gas wells in Southeast New Mexico.

Division Memoranda dated July 27, 1988 and August 3, 1990 concerning the interpretation of old Rule 104 are hereby withdrawn.

Attachments

1207 NOTICE REQUIREMENTS FOR SPECIFIC ADJUDICATIONS [1-1-86...2-1-96; A, 7-15-99]

1207.A. Applicants for the following adjudicatory hearings before the Division or Commission shall give notice in addition to that required by Rule 1204 as set forth below: [1-1-86...2-1-96; A, 7-15-99]

(1) Compulsory Pooling and Statutory Unitization: [1-1-86...2-1-96; A, 7-15-99]

(a) Notice shall be given to any owner of an interest in the mineral estate whose interest is evidenced by a written document of conveyance either of record or known to the applicant at the time of filing the application and whose interest has not been voluntarily committed to the area proposed to be pooled or unitized (other than a royalty interest subject to a pooling or unitization clause). [Rn, 19 NMAC 15.N.1207.A.(1), 7-15-99, A, 7-15-99]

(b) When an applicant is unable to locate all the owners of interests to be pooled and the application is unopposed by those located, the applicant may file under the following alternate procedure if notice is given as required in (a) above. The application shall include the following:

(i) a statement that no opposition for hearing is expected and why;

ii) a map outlining the spacing unit(s) to be pooled showing the nature and percentage of the ownership interests and location of the proposed well;

(iii) the names and last known addresses of the interest owners to be pooled and the nature and percent of their interests and an attestation that a diligent search has been conducted of all public records in the county where the well is located and of phone directories, including computer searches;

(iv) the names of the formations and pools to be pooled (Note: The Division cannot pool a spacing unit larger in size than provided in these rules or applicable special pool orders);

(v) a statement as to whether the pooled unit is for gas and/or oil production (see note under iv, above);

(vi) written evidence of attempts made to gain voluntary agreement including but not limited to copies of relevant correspondence;

(vii) geological map(s) of the formation(s) to be tested and a geological and engineering assessment of the risk involved in the drilling of the well and a proposed risk penalty to be assessed against any working interest owner who does not pay its share of

estimated well costs;

(viii) proposed overhead charges (combined fixed rates) to be applied during drilling and production operations along with the basis for such charges;

(ix) the location and proposed depth of the well to be drilled on the pooled units; and

(x) a copy of the Authorization for Expenditure (AFE) to be submitted to the interest owners in the well.

[Rn, 19 NMAC 15.N.1207.A.(2), 7-15-99, A, 7-15-99]

(c) All submittals required shall be accompanied by sworn and notarized statements by those persons who prepared the submittals attesting that the information is correct and complete to the best of their knowledge and belief. [Rn, 19 NMAC 15.N.1207.A.(3), 7-15-99, A, 7-15-99]

(d) All unopposed pooling applications will be set for hearing. If the Division finds the application complete, the information submitted with the application will constitute the record in the case and an order will be issued based on the record. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99, A, 7-15-99]

(e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]

(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

1. the Division-designated operator;
2. in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
3. in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]

(3) Non-Standard Proration Unit:

Notice shall be given to all owners of interests in the mineral estate to be excluded from the proration unit in the quarter-quarter section (for 40-acre pools or formations), the one-half quarter section (for 80-acre pools or formations), the quarter section (for 160-acre pools or formations), the half section (for 320-acre pools or formations), or section (for 640-acre pools or formations) in which the non-standard unit is located and to such other persons as required by the Division. [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(6), 7-15-99, A, 7-15-99]

(4) Special Pool Orders Regulating or Affecting a Specific Pool:

(a) Except for non-standard proration unit applications, if the application involves changing the amount of acreage to be dedicated to a well, notice shall be given to:

(i) all Division-designated operators in the pool; and

(ii) all owners of interests in the mineral estate in existing spacing units with producing wells.

(b) If the application involves other matters, notice shall be given to:

(i) all Division-designated operators in the pool; and

(ii) all Division-designated operators of wells within the same formation as the pool and within one (1) mile of the outer boundary of the pool which have not been assigned to another pool. [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(7), 7-15-99, A, 7-15-99]

(5) Special Orders Regarding any Division-Designated Potash Area:

Notice shall be given to all potash lessees, oil and gas operators, oil and gas lessees and unleased mineral interest owners within the designated potash area. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(8); A, 7-15-99]

(a) through (d). The material on unorthodox locations was moved to 19 NMAC N.1207.A.(2). [1-1-86...2-1-96; A, 7-15-99]

(6) Downhole Commingling:

Notice shall be given to all owners of interests in the mineral estate in the spacing unit if ownership is not common for all commingled zones within the spacing unit. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(9), 7-15-99, A, 7-15-99]

(7) Surface Disposal of Produced Water or Other Fluids:

Notice shall be given to any surface owner within one-half mile of the site. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(10), 7-15-99, A, 7-15-99]

(8) Adjudications not listed above:

Notice shall be given as required by the Division. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(11), 7-15-99, A, 7-15-99]

(9) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(6). [1-1-86...2-1-96; A, 7-15-99]

(10) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(7). [1-1-86...2-1-96; A, 7-15-99]

(11) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(8). [1-1-86...2-1-96; A, 7-15-99]

1207.B. Type and Content of Notice. Any notice required by this rule shall be sent by certified mail, return receipt requested, to the last known address of the person to whom notice is to be given at least 20 days prior to the date of hearing of the application and shall include: a copy of the application; the date, time and place of the hearing; and the means by which protests may be made. [1-1-86...2-1-96; A, 7-15-99]

1207.C. At the hearing, the applicant shall make a record, either by testimony or affidavit signed by the applicant or its authorized representative, that: (a) the notice provisions of this rule have been complied with; (b) the applicant has conducted a good-faith diligent effort to find the correct address of all persons entitled to notice; and (c) pursuant to this rule, notice has been given at that correct address as required by this rule. In addition, the record shall contain the name and address of each person to whom notice was sent and, where proof of receipt is available, a copy of the proof. [1-1-86...2-1-96; A, 7-15-99]

1207.D. Evidence of failure to provide notice as required in this rule may, upon proper showing, be considered cause for reopening the case. [1-1-86...2-1-96; A, 7-15-99]

1207.E. In the case of an administrative application where the required notice was sent and a timely filed protest was made, the Division shall notify the applicant and the protesting party in writing that the case has been set for hearing and the date of the hearing. No further notice is required. [7-15-99]

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

Case No. 12119
Order No. R-11231

APPLICATION OF OIL CONSERVATION DIVISION TO AMEND DIVISION
RULE 104 (19 NMAC 15.C.104) PERTAINING TO WELL SPACING.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on August 12, 1999, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 12th day of August, 1999, the Commission, a quorum being present, having considered the record,

FINDS THAT:

(1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.

(2) Evidence presented indicated developments in 3-D technology and the increasing need of operators to drill/exploit smaller and smaller reservoirs has resulted in the need for an expansion of allowable areas in which to drill.

(3) The evidence indicated that Division Rule 104 is in need of amendment to relax the external and internal well setback requirements to allow operators greater latitude in locating wells so that additional oil and gas reserves can be accessed, thereby preventing waste.

(4) Evidence also indicated that allowing an optional infill well on a 320-acre unit will substantially improve gas recovery by allowing operators to locate wells at more optimum locations, thereby preventing waste.

(5) Using statewide 660-setbacks to any quarter section line for both 160 and 320 acre spacing provides operators a uniform setback for their well location decisions. This will also eliminate the "standup/laydown" orientation decision sometimes encountered when locating wells, which can pose a problem for operators and result in unnecessary gamesmanship. Since 660 feet is already allowed in cases where the side boundary of a 320-acre unit is the relevant boundary, changing the end boundary setback from 1650 feet to 660 feet should not, in effect, result in any increase in the impairment of correlative rights and will eliminate the 320-acre unit orientation decision.

(6) The relaxed internal setbacks will also aid in the recovery of additional oil and gas reserves, thereby preventing waste, but will still require compliance with any rule for a formation different than the primary targeted formation.

(7) The relaxed setback and infill requirements should not impair the correlative rights of offset operators since evidence indicated that the drainage areas of gas wells seldom exceed 160 acres.

(8) Notice of intent to drill an infill well to offset operators and/or interest owners in the unit is not necessary since the rule change allows such a well. There thus would be no basis for objecting to the well.

(9) Opportunity is available to adopt or amend special pool orders to limit the number of wells per unit and/or require different setbacks to prevent waste and/or protect correlative rights. The Division's notice provisions in Rule 1207.A(4) for amending special pool orders was recently amended to facilitate such changes. Therefore, if an interest owner believes that the drainage areas for wells in a particular pool justify different well densities and/or setbacks, an action can be brought to institute such provisions.

(10) Actions can be brought before the Division to amend special pool orders and/or other orders to take into account any of the changes made to Rule 104 by this order.

(11) Compulsory pooling orders do not directly address the issue of subsequent wells on a unit. This is a separate issue being addressed by the Division.

(12) Notice of administrative applications for and opportunity for objecting to (i) non-standard proration units---104.D(2)(d), (ii) unorthodox locations---104.F(4), and (iii) pooling and communitization of small oil lots---104.I(1)(b) should be given to affected parties as defined in 1207.A(2).

(13) Due to the extensive changes being made to Rule 104, Rule 104 should be reformatted and rearranged. The language in Rule 104 should also be cleaned up and clarified.

(14) It is necessary to adopt Rule 104 as amended and set forth in the attached Exhibit "A".

IT IS THEREFORE ORDERED

(1) Division Rule 104 is hereby amended and adopted as set forth in the attached Exhibit "A".

(2) Rule 104 shall be effective as of the date of its publication in the New Mexico Register.

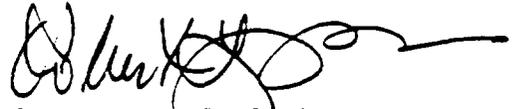
(3) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

(4) Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



ROBERT L. LEE, Member



LORI WROTENBERY, Chairman



S E A L

EXHIBIT "A"
CASE NO. 12119
ORDER NO. R-11231

104 WELL SPACING AND LOCATION

104.A. CLASSIFICATION OF WELLS: WILDCAT AND DEVELOPMENT WELLS

(1) WILDCAT WELL

- (a) In San Juan, Rio Arriba, Sandoval, and McKinley Counties a wildcat well is any well to be drilled the spacing unit of which is a distance of two miles or more from:

 - (i) the outer boundary of any defined pool that has produced oil or gas from the formation to which the well is projected to be drilled; and
 - (ii) any well that has produced oil or gas from the formation to which the proposed well is projected to be drilled.

- (b) In all counties except San Juan, Rio Arriba, Sandoval, and McKinley, a wildcat well is any well to be drilled the spacing unit of which is a distance of one mile or more from:

 - (i) the outer boundary of any defined pool that has produced oil or gas from the formation to which the well is projected to be drilled; and
 - (ii) any well that has produced oil or gas from the formation to which the proposed well is projected.

(2) DEVELOPMENT WELL

- (a) Any well that is not a wildcat well shall be classified as a development well for the nearest pool that has produced oil or gas from the formation to which the well is projected to be drilled. Such development well shall be spaced, drilled, operated, and produced in accordance with the rules in effect for that pool, provided the well is completed in that pool.

- (b) Any well classified as a development well for a pool but completed in a producing formation not included in the vertical limits of that pool shall be operated and produced in accordance with the rules in effect for the nearest pool that is producing from that formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else. If there is no designated pool for that producing formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

104.B. OIL WELL ACREAGE AND WELL LOCATION REQUIREMENTS

(1) Any wildcat well that is projected to be drilled as an oil well to a formation and in an area that in the opinion of the Division may reasonably be presumed to be productive of oil rather than gas and each development well for a defined oil pool, unless otherwise provided in special pool orders, shall be located on a spacing unit consisting of approximately 40 contiguous surface acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, which is a governmental quarter-quarter section or lot, and shall be located no closer than 330 feet to any boundary of such unit. Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.

(2) If a well drilled as an oil well is completed as a gas well but does not conform to the applicable gas well location rules, the operator must apply for administrative approval for a non-standard location before the well can produce. The Director may set any such application for hearing.

104.C. GAS WELLS ACREAGE AND WELL LOCATION REQUIREMENTS

Any wildcat well that is projected to be drilled as a gas well to a formation and in an area that in the opinion of the Division may reasonably be presumed to be productive of gas rather than oil and each development well for a defined gas pool, unless otherwise provided in special pool orders, shall be spaced and located as follows:

(1) 640-ACRE SPACING applies to any deep gas well in Rio Arriba, San Juan, Sandoval or McKinley County that is projected to be drilled to a gas producing formation older than the Dakota formation or is a development well within a gas pool created and defined by the Division after June 1, 1997 in a formation older than the Dakota formation, which formation or pool is located within the surface outcrop of the Pictured Cliffs formation (i.e., the San Juan Basin). Such well shall be located on a spacing unit consisting of 640 contiguous surface acres, more or less, substantially in the form of a square which is a section and legal subdivision of the U.S. Public Land Surveys and shall be located no closer than: 1200 feet to any outer boundary of the spacing unit, 130 feet to any quarter section line, and 10 feet to any quarter-quarter section line or subdivision inner boundary.

(2) 320-ACRE SPACING applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

- (a) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (c) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(3) 160-ACRE SPACING applies to any other gas well not covered above. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. Public Land Surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

104.D. ACREAGE ASSIGNMENT

(1) Well Tests and Classification. It is the responsibility of the operator of any wildcat or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the test with the Division within 10 days following completion of the test. (See Rule 401)

- (a) The date of completion for a gas well is the date of the conclusion of active completion work on the well.
- (b) If the Division determines that a well should not be classified as a gas well, the Division will reduce the acreage dedicated to the well to the standard acreage for an oil well.
- (c) Failure of the operator to file the test within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Spacing Units. Any well that does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.

- (a) Division District Offices have the authority to approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% or more than 130% of a standard spacing unit. The operator must obtain Division approval of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.
- (b) The Director may grant administrative approval to non-standard spacing units after notice and opportunity for hearing when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys or the following facts exist:
 - (i) the non-standard spacing unit consists of: (A) a single quarter-quarter section or lot or (B) quarter-quarter sections or lots joined by a common side; and
 - (ii) the non-standard spacing unit lies wholly within: a single quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size; a single half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size; or a single section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.
- (c) Applications for administrative approval of non-standard spacing units pursuant to D(2)(b) shall be submitted to the Division's Santa Fe Office and accompanied by: (i) a plat showing the spacing unit and an applicable standard spacing unit for that pool or formation, the proposed well dedications and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the formation of the non-standard spacing unit.

(d) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

(e) The Director may set for hearing any application for administrative approval.

(3) Number of Wells Per Spacing Unit. Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those affected persons defined in Rule 1207.A.(2).

104.E. FORMS

Form C-102 "Well Location and Acreage Dedication Plat" for any well shall designate the exact legal subdivision dedicated to the well. Form C-101 "Application for Permit to Drill, Deepen, or Plug Back" will not be approved without an acreage designation on Form C-102.

104.F. UNORTHODOX LOCATIONS

(1) Well locations for producing wells and/or injection wells that are unorthodox based on the requirements of B above and are necessary for an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that the unorthodox location within the project is no closer than the required minimum distance to the outer boundary of the lease or unitized area, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. These locations shall only require such prior approvals as are necessary for an unorthodox location.

(2) The Director may grant an exception to the well location requirements of B and C above or special pool orders after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights.

(3) Applications for administrative approval pursuant to F(2) above shall be submitted to the Division's Santa Fe Office accompanied by (a) a plat showing the spacing unit, the proposed unorthodox well location and the adjoining spacing units and wells; (b) a list of affected persons as defined in Rule 1207.A(2); and (c) information evidencing the need for the exception. Notice shall be given as required in Rule 1207.A(2).

(4) The applicant shall submit a statement attesting that applicant, on or before the date that the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in F(3) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

(5) The Director may set for hearing any application for administrative approval of an unorthodox location.

(6) Whenever an unorthodox location is approved, the Division may order any action necessary to offset any advantage of the unorthodox location.

104.G. EFFECT ON ALLOWABLES

(1) If the drilling tract is within a prorated/allocated oil pool or is subsequently placed within such pool and the drilling tract consists of less than 39½ acres or more than 40½ acres, the top unit allowable for the well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(2) If the drilling tract is within a prorated/allocated gas pool or is subsequently placed within such pool and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, or less than 632 acres or more than 648 acres in 640-acre pools, the top allowable for the well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

(3) In computing acreage under (1) and (2) above, less than ½ acre shall not be counted but ½ acre or more shall count as one acre.

(4) The provisions of (1) and (2) above shall apply only to wells completed after January 1, 1950.

104.H. DIVISION-INITATED EXCEPTIONS

In order to prevent waste, the Division may, after hearing, set different spacing requirements and require different acreage for drilling tracts in any defined oil or gas pool.

104.I. POOLING OR COMMUNITIZATION OF SMALL OIL LOTS

(1) The Division may approve the pooling or communitization of fractional oil lots of 20.49 acres or less with a contiguous oil spacing unit when the ownership is common and the tracts are part of the same lease with the same royalty interests if the following requirements are satisfied:

- (a) Applications for administrative approval shall be submitted to the Division's Santa Fe Office and accompanied by: (i) a plat showing the dimensions and acreage involved, the ownership of such acreage, the location of all existing and proposed wells and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the pooling or communitization.
- (b) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (a) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.
- (c) The Director may set for hearing any application for administrative approval.

(2) The Division may consider the common ownership and common lease requirements met if the applicant furnishes with the application a copy of an executed pooling agreement communitizing the tracts involved.

[1-1-50...2-1-96; A, 6-30-97; A, 8-31-99]

DEFINATIONS

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

WASTE, in addition to its ordinary meaning, shall include:

- (a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.
- (b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form, or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing a well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

TO SUMMARIZE:

Owners may not use their land in such a manner as to injure the properties of others.

FROM :

FAX NO. : 6835172

Aug. 08 2001 09:53AM P1

LEWIS B. BURLESON, INC.
OIL & GAS PROPERTIES

LEWIS B. BURLESON
PRESIDENT

STEVEN L. BURLESON
VICE-PRESIDENT

WAYNE JARVIS
SUPERINTENDENT

FAX COVER SHEET

DATE:

8-8-01

TO:

MICHAEL STAGNER 505/476-3471

N.M.O.C.D

FROM:

STEVEN BURLESON

MESSAGE:

AS PER OUR CONVERSATION

The following fax includes cover sheet plus 2 pages. If you did not receive all pages please call us at 915/683-4747. Thank you.

AUG- 8-01 WED

7:20

PO BOX 2479, MIDLAND, TEXAS 79702-AC 915/683-4747

6835172

P.01

FROM :

FAX NO. : 6835172

Aug. 08 2001 09:53AM P2

LEWIS B. BURLESON, INC.
OIL & GAS PROPERTIES

LEWIS B. BURLESON
PRESIDENT

STEVEN L. BURLESON
VICE-PRESIDENT

WAYNE JARVIS
SUPERINTENDENT

July 24, 2001

Certified Mail #70993220000575503391
RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Division
Attention: Ms. Wrotenbery
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Gruy Petroleum Management Co.
Myers B 9, NW/4, Section 13, T-24-S, R-36-E
Myers B 8, N/2NE/4, SW/4NE/4, Section 11, T-24-S, R-36-E
LEA COUNTY, NEW MEXICO

Dear Ms. Wrotenbery:

It has come to our attention that Gruy Petroleum Management Co. has completed two Jalmat gas wells at illegal locations in Sections 13 and 11, Township 24 South, Range 36 East, Lea County, New Mexico. Both of these wells are too close to our leasehold (S/2, Section 11, N/2N/2, Section 14), one being 330 feet from our lease line and the other one being 380 feet from our lease line. We hereby request that you order these illegal completions shut-in.

This letter also is our formal objection to completion of either one of these wells in the Jalmat Gas Pool. We will try to work these issues out with Gruy and if we can reach some equitable agreement, we will withdraw our objection.

Sincerely,



Steven L. Burleson
Vice-President

Xc: Hobbs Oil Conservation District
Gruy Petroleum Management Co.
Attn: Mr. Zeno Farris

F:\wp51\doc\gruymyers.doc

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

Article Sent To:
NM O.C.D. (Lori Wrotenbery)

Postage	\$ 34
Certified Fee	210
Return Receipt Fee (Endorsement Required)	150
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 394

MILYLAND, TX VILLAGE STA. 1
JUL 24 2001
USPS

Name (Please Print Clearly) (To be completed by mailer)
Lewis B. Burleson, Inc.
Street, Apt. No., or PO Box No.
P.O. Box 2479
City and ZIP
Midland, Texas 79702

PS Form 3800, July 1999 See Reverse for Instructions

7099 3220 0005 7550 3391

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
**New Mexico O.C.D.
Attn: Lori Wrotenbery
1220 South St. Francis Dr.
Santa Fe, NM 87505**

4a. Article Number

4b. Service Type

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery
7/27/01

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)
Lori Wrotenbery

6. Signature (Agent)
John H. Burleson

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

Thank you for using Return Receipt Service.

**Gruy Petroleum Management Co.**

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

A subsidiary of Magnum Hunter Resources, Inc. ♦ An American Stock Exchange Company ♦ "MHR"

August 6, 2001

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe New Mexico 87505
Attn: Mr. Michael Stogner

Re: Myers B 8 & B 9
Section 11 & 13-24S-36E
Lea County New Mexico

Dear Mr. Stogner:

At the request of Mr. Paul Kautz of the NMOCD in Hobbs, we have shut-in the referenced wells at 4:00 PM MST on 7-25-01. The subject wells were permitted as Langlie Mattix oil wells at orthodox locations. The Langlie Mattix test was unsuccessful and the wells were completed as Jalmat gas wells. Therefore both wells will require unorthodox well location exceptions.

It is our understanding based on the enclosed copy of a letter dated 7-24-01 from Mr. Steven L. Burleson, that Lewis B. Burleson, Inc. is objecting to the location of our two Jalmat producers. In this regard we are requesting that as soon as possible, the NMOCD set a hearing date for our previously submitted simultaneous dedication and unorthodox well location applications for the Myers B 8 and B 9 wells.

If you have any questions or require additional information concerning this matter, please contact me at 972-443-6489.

Yours truly,

A handwritten signature in cursive script that reads "Zeno Farris".

Zeno Farris
Manager, Operations Administration

Cc: N.M.O.C.D. – Hobbs
Lewis B. Burleson, Inc.

LEWIS B. BURLESON, INC.
OIL & GAS PROPERTIES

LEWIS B. BURLESON
PRESIDENT

STEVEN L. BURLESON
VICE-PRESIDENT

WAYNE JARVIS
SUPERINTENDENT

July 24, 2001

Certified Mail #70993220000575503391
RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Division
Attention: Ms. Wrotenbery
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: **Gruy Petroleum Management Co.**
Myers B 9, NW/4, Section 13, T-24-S, R-36-E
Myers B 8, N/2NE/4, SW/4NE/4, Section 11, T-24-S, R-36-E
LEA COUNTY, NEW MEXICO

Dear Ms. Wrotenbery:

It has come to our attention that Gruy Petroleum Management Co. has completed two Jalmat gas wells at illegal locations in Sections 13 and 11, Township 24 South, Range 36 East, Lea County, New Mexico. Both of these wells are too close to our leasehold (S/2, Section 11, N/2N/2, Section 14), one being 330 feet from our lease line and the other one being 380 feet from our lease line. We hereby request that you order these illegal completions shut-in.

This letter also is our formal objection to completion of either one of these wells in the Jalmat Gas Pool. We will try to work these issues out with Gruy and if we can reach some equitable agreement, we will withdraw our objection.

Sincerely,



Steven L. Burleson
Vice-President

Xc: Hobbs Oil Conservation District
Gruy Petroleum Management Co.
Attn: Mr. Zeno Farris

F:\wp51\doc\gruymyers.doc

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

01 AUG 31 PM 1:19

Paul R. Owen
Direct Dial (505) 986-2538
powen@montand.com

Post Office Box 2307
Santa Fe, New Mexico 87504-2307
325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873
Fax (505) 982-4289

August 31, 2001

VIA HAND DELIVERY

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Dr.,
Santa Fe, New Mexico 87505

Re: *New Mexico Oil Conservation Division Case No. 12723*
Application of Gruy Petroleum Management Company for unorthodox infill gas
well location and simultaneous dedication, Lea County, New Mexico.

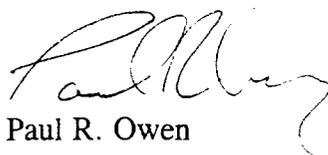
New Mexico Oil Conservation Division Case No. 12724
Application of Gruy Petroleum Management Company for unorthodox infill gas
well location and simultaneous dedication, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed please find my entries of appearance and prehearing statements in the above-captioned cases. This firm will represent Lewis Burleson Inc. in the hearings scheduled for these cases on September 6, 2001.

Please let me know if you have any questions.

Very truly yours,



Paul R. Owen

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
August 31, 2001
Page 2

cc: Mr. Steve Burleson (via facsimile)
Lewis Burleson, Inc.

Mr. Zeno Farris (via facsimile)
Gruy Petroleum Management Co.

Holland & Hart (via hand delivery)
William F. Carr, Esq.
Michael Feldewert, Esq.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.
01 AUG 31 PM 1:19

IN THE MATTER OF THE APPLICATION OF
GRUY PETROLEUM MANAGEMENT
COMPANY FOR AN UNORTHODOX INFILL
GAS WELL LOCATION AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO.

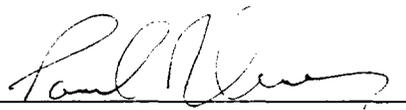
CASE NO.: 12723

ENTRY OF APPEARANCE

MONTGOMERY & ANDREWS, P.A., Paul R. Owen, Esq., hereby enters its
appearance in the above-captioned case on behalf of Lewis Burleson, Inc.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

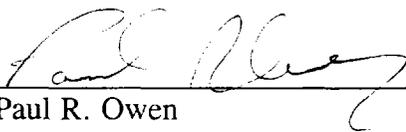
By: 
PAUL R. OWEN
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
Telephone: (505) 982-3873

ATTORNEYS FOR LEWIS BURLESON, INC.

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of August, 2001, I have caused a copy of our Entry of Appearance in the above-captioned case to be hand-delivered to the following named parties:

William F. Carr, Esq.
Michael H. Feldewert, Esq.
Holland & Hart
110 North Guadalupe
Santa Fe, NM 87501


Paul R. Owen

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION
AUG 31 PM 1:18

IN THE MATTER OF THE APPLICATION OF
GRUY PETROLEUM MANAGEMENT COMPANY
FOR AN UNORTHODOX INFILL GAS WELL
LOCATION AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

CASE NO.: 12723

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Montgomery & Andrews, P.A. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Gruy Petroleum Management Company
Post Office Box 140907
600 East Las Colinas Boulevard, Suite 1200
Irving, Texas 75014-0907
(972) 401-3111

ATTORNEY

William F. Carr, Esq.
Michael H. Feldewert, Esq.
Holland & Hart
110 North Guadalupe, Suite 1
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

OPPOSITION OR OTHER PARTY

Lewis Burleson, Inc.
Attention: Steve Burleson
Post Office Box 2479
Midland, Texas 79702
(915) 683-4747

ATTORNEY

Paul R. Owen, Esq.
Montgomery & Andrews, P.A.
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

STATEMENT OF CASE

APPLICANT

The relief sought by Applicant is set forth in the Application filed by Applicant in this case.

OPPOSITION

Lewis Burleson, Inc. ("Burleson") is the owner of interests in acreage affected by Applicant's proposed unorthodox well location. Burleson seeks enforcement of the setback requirements of New Mexico Oil Conservation Division Rule 104.

PROPOSED EVIDENCE

APPLICANT

Applicant's proposed evidence will presumably be listed in Applicant's Prehearing Statement.

OPPOSITION

WITNESSES

(Name and expertise)

EST. TIME

EXHIBITS

Mr. Steve Burleson

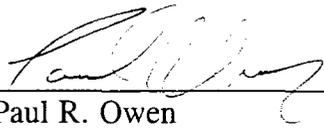
30 minutes

4

PROCEDURAL MATTERS

(NONE)

Respectfully Submitted,



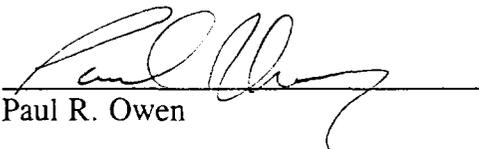
Paul R. Owen

ATTORNEY FOR LEWIS BURLESON, INC.

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of August, 2001, I have caused a copy of our Prehearing Statement in the above-captioned case to be hand-delivered to the following named parties:

William F. Carr, Esq.
Michael H. Feldewert, Esq.
Holland & Hart
110 North Guadalupe
Santa Fe, NM 87501
ATTORNEYS FOR APPLICANT GRUY PETROLEUM MANAGEMENT COMPANY


Paul R. Owen

120540322

New Mexico Oil Conservation Division---Engineering Bureau
Administrative Application Process Documentation

Date Application Received: 7-23-2001

Date of Preliminary Review: 8-1-2001
(Note: Must be within 10-days of received date)

Results: Application Complete Application Incomplete

Date Incomplete Letter Sent: NA

Deadline to Submit Requested Information: NA

Phone Call Date: NA
(Note: Only applies if requested data is not submitted within the 7-day deadline)

Phone Log Completed? Yes No

Date Application Processed: 9-5-01

Date Application Returned: _____
(Note: Only as a last resort & only after repeated attempts by the Division to obtain the necessary information to process the application)

Objection received
Application set for hearing.
Objection withdrawn 9-4