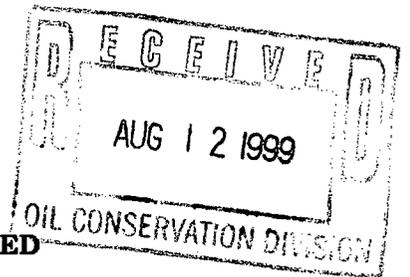


OGS OPERATING COMPANY, INC.

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



CERTIFIED MAIL RETURN RECEIPT REQUESTED

AUGUST 9, 1999

**OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NM 87505**

**Attention: Mr. Michael E. Stogner
Chief Hearing Officer/Engineer**

**Re: OGS Operating Company, Inc., Proposed Bluitt 16 State #2 Well
660' FNL & 1,980' FWL, Section 16, T-8-S, R-37-E
Roosevelt County, New Mexico**

Gentlemen:

OGS Operating Company, Inc. ("OGS") intends to drill the referenced well to an approximate depth of 4,650 feet or sufficient to test a middle San Andres oil zone. This well is subject to the special rules and regulations of the Bluitt-San Andres Associated Pool which set forth spacing and proration unit acreage requirements as follows:

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

If the middle San Andres oil zone is not commercially productive, OGS intends to plug back to a shallower San Andres zone which is typically a gas reservoir.

Gates-O'Brien Incorporated, OGS's parent company, owns New Mexico State oil and gas leases covering the NW/4 and the E/2 of Section 16, being 480 acres, more or less. The E/2 of Section 16 has been communitized and is the 320 acre gas spacing and proration unit for the OGS Bluitt 16 State #1 well.

Should the proposed well, to be located in the NE/4 of the NW/4 of Section 16, be completed as an oil well, OGS has enough acreage for two standard oil proration units. However, if the well is completed as a gas well, OGS intends to form a non-standard unit composed of the NW/4 of Section 11, which is 50% of a standard gas proration unit.

This letter is intended as an application for an exception to RULE 2. (a) of the Special Rules and Regulations for the Bluitt-San Andres Associated Pool for the possible formation of a non-standard gas proration unit.

Enclosed is a plat showing the proposed non-standard proration unit, the ownership and/or operators of all leases offsetting the proration unit and the proposed location of the OGS Operating Company, Inc. Bluitt 16 State #2 well. There are no producing wells currently located on the NW/4 of Section 16.

A copy of this letter has been sent Certified Mail Return Receipt Requested to all of the offset operators and/or oil and gas lessees (see the attached list).

Please call if you have a question.

Sincerely,
OGS Operating Company, Inc.

Thom O'Brien, President

ADDRESS LIST
ALL OFFSET OPERATORS AND OIL AND GAS LESSEES TO THE
NW/4 OF SECTION 16, T-8-S, R-37-E ROOSEVELT COUNTY, NEW MEXICO

Certified Return Receipt

1. Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210
(505) 748-1471

P 329 341 540

Yates Petroleum Corporation owns New Mexico State oil and gas lease V05228 covering the SW/4 of Section 16, T-8-S, R-37-E, Roosevelt County, New Mexico.

2. Scott Exploration, Inc.
200 W. 1st Street. Suite 648
Roswell, NM 88201
(505) 622-6671

P 329 341 541

Scott Exploration, Inc. owns USA-BLM oil and gas leases NM 100871 covering the S/2 of Section 8 and NM 100873 covering the S/2 of Section 17, all in T-8-S, R-37-E, Roosevelt County, New Mexico.

3. H. L. Brown, Jr.
300 W. Louisiana
Midland, TX 79702
(915) 683-5216

P 329 341 542

H. L. Brown, Jr. owns and/or operates Federal oil and gas lease NM 28054 covering the S/2 of Section 9, T-8-S, R-37-E, Roosevelt County, New Mexico.

4. Gates-O'Brien Incorporated and its wholly owned subsidiary OGS Operating Company, Inc.
550 W. Texas, Suite 1140
Midland, TX 79701
(915) 682-6373

Gates-O'Brien Incorporated and OGS Operating Company, Inc. own and operate New Mexico State oil and gas leases VA1297 covering the NW/4 and the E/2 NE/4 of Section 16 and V05291 covering the W/2 NE/4 and the SE/4 of Section 16, and USA-BLM oil and gas lease NM 100872 covering the N/2 of Section 17, all in T-8-S, R-37-S, Roosevelt County, New Mexico.

Brown Reese 28054 HBP 21513
 Mary Lee Reese et al
 "Fed." 4
 Bargo Ener. (Felmont) HBC 021087
 H.L. Brown, Jr. 18240 Fed. 3
 Leo Corp. 11-4-99 7-23-2003 Shell Saunders-Fed. TDB679
 9-16-99 9-3-2000 Fed. 0474
 6-30-99 4-19-2000 Harvard Pt. D/A12-31-47
 Williams
 Brown, Jr. Cuccio-Fed. U.S. "Fed."
 W.L. Beggs Williams F. Prucco U.S. w.L. Beggs(S) U.S.

(BBL Ltd.) SA Disc. 2.6 Mil. BTA Oil Felmont
 Breck Oper. (H.L. Brown, Jr.) 0474 HBP Inco
 (H.L. Brown, Jr.) 0474 0474
 Shell Bluit Unit BL Pet Corp. of Tex Fed. 0474
 01-4031 TO 4783 TO 4783 Fed. 108125
 0/A 9-23-50 F.M. Bond, (S) Felmont Ltd. Felmont Fed.
 Scott Expl. 6-1-2008 H.L. Brown, Jr. 28054 BI
 100871 2325 KGS U.S. M.I. Felmont Fed.
 4500 U.S. FM Bond, (S) 104638
 BLUITT U.S. FM Bond, (S) "Perkins" W.L. Beggs(S)

K.G. Flatt(S) N/2 Gates O'Brien, et al 6-1-2008 100877 16066
 J.I. O'Neill Fed. 1-LTD4882 F.M. Bond, (S)
 Scott Expl. 6-1-2008 100873 9500
 Hanson O'Brien, et al 11-1-99 VA-1297 16-2 2202 2-BUA
 100873 9500 OGS Oper. Bluit F19 16-1
 Junction Fed. Penn. Disc. Hanson Oper. T012595 O'Brien, et al 4-1-2003
 1-1-2003 Yates Pet. 041556 Gates O'Brien, et al 4-1-2003
 1-1-2003 14167
 V05228 1-BUA State O'Brien 8
 U.S. 109460 37 R.N. Ainsworth(S)

Marathon Fed-Silver 2 Scott Expl. 9-1-97 89185 2100
 Ener. Arrow (memo of opt) 2-13-97 (Marathon) Fed-Silver 3
 Penn Disc. F720 Marathon Fed-Silver 1-A
 Ingram McGraill 5 Marathon, 2-A Fed-Silver
 "Fed.-McGrail U.S. Riley Patels(S) U.S. L.R. Brown(S)
 w.w. Perry 1-15-94 Ingram
 Yates Pet. et al 3-1-2007 98211 2000
 Ingram 2
 Layton Enterprises, Inc. 10 9616 (Marathon) 02218
 Marathon King-Davis Fed. 2
 Fasken Oil E. Rch, et al 02218 3
 Meagher O&G Prop. HBP 0358539

Fasken Oil E. Rch, et al 02218 3
 Meagher O&G Prop. HBP 0358539

OGS OPERATING COMPANY, INC.

550 W. TEXAS, SUITE 1140

MIDLAND, TEXAS 79701

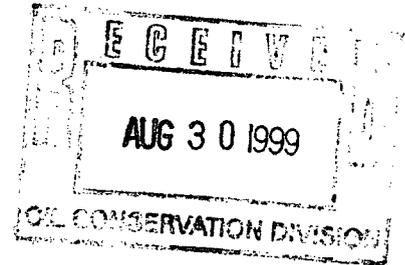
(915) 682-6373

(915) 682-4634 FAX

CERTIFIED MAIL RETURN RECEIPT REQUESTED

AUGUST 26, 1999

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NM 87505



Attention: Mr. Michael E. Stogner
Chief Hearing Officer/Engineer

Re: OGS Operating Company, Inc., Proposed Bluit 16 State #2 Well
660' FNL & 1,980' FWL, Section 16, T-8-S, R-37-E
Roosevelt County, New Mexico

Gentlemen:

Please refer to my letter dated August 9, 1999 in which I requested an exception to Rule 2. (a) of the special rules and regulations of the Bluit-San Andres Associated Pool for the formation of a non-standard gas proration unit for the referenced well.

In connection with my request, attached are copies of all of the "Return Receipts" for the copies of the August 9, 1999 letter which I sent to all offset Operators.

Please call if you have a question.

Sincerely,
OGS Operating Company, Inc.



Thom O'Brien, President

Is your RETURN ADDRESS completed on the reverse side?

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ 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): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: YATES PETROLEUM CORPORATION 105 S. FOURTH STREET ARTESIA, NM 88210		4a. Article Number P 329 341 540	
JOANN GRIGGS		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery	
5. Received By: (Print Name) <i>Jo Ann Griggs</i>		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) <input checked="" type="checkbox"/>			

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ 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): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: SCOTT EXPLORATION 200 W. 1ST ST., SUITE 648 ROSWELL, NM 88201		4a. Article Number P 329 341 541	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 8-12-99	
5. Received By: (Print Name) <i>K. Herman</i>		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) <input checked="" type="checkbox"/> <i>K. HERMAN</i>			

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ 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): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: H.L. BROWN, JR 300 W. LOUISIANA MIDLAND, TX 790702		4a. Article Number P 329 341 542	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 8-11-99	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) <input checked="" type="checkbox"/> <i>Christina Subin</i>			

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

08/20/99 16:05:21
OGOMES -TPEI
PAGE NO: 1

Sec : 16 Twp : 08S Rng : 37E Section Type : NORMAL

D 40.00 CS VA1297 0001 11/99 GATES-O'BRIEN INC	C 40.00 CS VA1297 0001 11/99 GATES-O'BRIEN INC	B 40.00 CS V05291 0000 04/03 GATES-O'BRIEN INC C	A 40.00 CS VA1297 0001 11/99 GATES-O'BRIEN INC C
E 40.00 CS VA1297 0001 11/99 GATES-O'BRIEN INC	F 40.00 CS VA1297 0001 11/99 GATES-O'BRIEN INC	G 40.00 CS V05291 0000 04/03 GATES-O'BRIEN INC C	H 40.00 CS VA1297 0001 11/99 GATES-O'BRIEN INC C A

M0002: This is the first page

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

08/20/99 16:05:14
OGOMES -TPEI
PAGE NO: 2

Sec : 16 Twp : 08S Rng : 37E Section Type : NORMAL

<p>L 40.00 CS V05228 0000 01/03 YATES PETROLEUM C</p>	<p>K 40.00 CS V05228 0000 01/03 YATES PETROLEUM C</p>	<p>J 40.00 CS V05291 0000 04/03 GATES-O'BRIEN INC C</p>	<p>I 40.00 CS V05291 0000 04/03 GATES-O'BRIEN INC C</p>
<p>M 40.00 CS V05228 0000 01/03 YATES PETROLEUM C</p>	<p>N 40.00 CS V05228 0000 01/03 YATES PETROLEUM C</p>	<p>O 40.00 CS V05291 0000 04/03 GATES-O'BRIEN INC C</p>	<p>P 40.00 CS V05291 0000 04/03 GATES-O'BRIEN INC C</p>

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-101
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: OGS Operating Co., Inc. 550 W. Texas, Suite 1140 Midland, TX 79701		OGRID Number 16367
		API Number 30-0
Property Code	Property Name Bluitt "16" State	Well No. 2

Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
C	16	8S	37E		660'	North	1980	West	Roosevelt

Proposed Bottom Hole Location If Different From Surface

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

Proposed Pool 1 Bluitt San Andres Assoc.	Proposed Pool 2
---	-----------------

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 4027
Multiple No	Proposed Depth 4825	Formation San Andres	Contractor To be determined	Spud Date 9-6-99

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	8 5/8"	24	365	225	Surface
7 7/8"	4 1/2"	11.6	4825	665	Surface

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Rig up rotary tools. Set 8 5/8" casing @ 365', WOC 12 hours, NU 2M double ram type BOP. Test BOP and casing to 600 psi. Drill 7 7/8" hole to a TD of 4825' and evaluate for completion or plug and abandon in a manner consistent with State Regulations.

Permit Expires 1 Year From Approval
Date Unless Drilling Underway

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>James P. Stinson</i>		OIL CONSERVATION DIVISION	
Printed name: James P. "Phil" Stinson			
Title: Drilling Superintendent		Approved by:	
Date: 8-25-99		Title:	
Phone: (915) 682-6593		Approval Date:	
		Expiration Date:	
		Conditions of Approval: Attached <input type="checkbox"/>	

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, 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

AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code 6880	Pool Name Bluitt San Andres Assoc.
Property Code 23079	Property Name BLUITT "16" STATE		Well Number 2
OGRID No. 16367	Operator Name O.G.S. OPERATING COMPANY, INC.		Elevation 4027

Surface Location

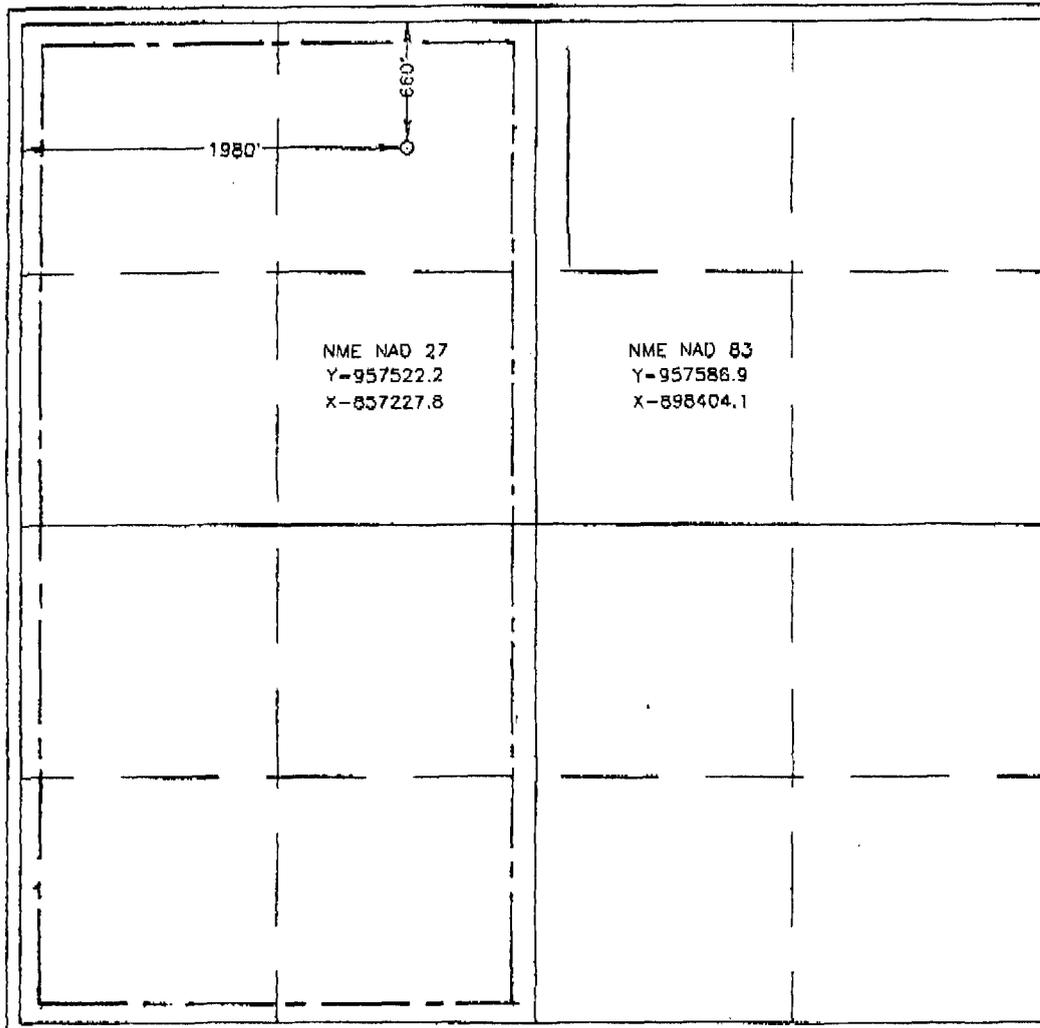
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	16	8 S	37 E		660	NORTH	1980	WEST	ROOSEVELT

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 320	Joint or Infill	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 that the information contained herein is true and complete to the best of my knowledge and belief.

James P. "Phil" Stinson
Signature

James P. "Phil" Stinson
Printed Name

Drilling Superintendent
Title

8-25-99
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.

AUGUST 19, 1999
Date Surveyed

Ronald J. Eidson
Professional Seal
Professional Surveyor
NEW MEXICO

DMCC

3239
8-20-99
83-11-0578

Certification No. RONALD J. EIDSON 3239
GARNETT STINSON 12641
McDONALD 12185