

Stogner, Michael, EMNRD

From: Stogner, Michael, EMNRD
To: Jim Bruce
Cc:
Subject: Marquardt 12 Penn Fed. #2
Attachments:

Sent: Thu 8/25/2005 11:18 AM

Re: Division Administrative Reference No. pMES0-523657901

After reviewing your application on behalf of Gruy Petroleum Management Company for the above-described well, I feel it necessary to review further a few items that you covered:

- (1) Who is/are the operator(s) of this 640-acre White City Pennsylvanian gas spacing unit?
- (2) For the subject Marquardt 12 Penn Fed. Well No. 2 in Unit "G": When was this well spud? What is its assigned API No.?
- (3) For the Marquardt Fed. Well No. 2 in Unit "F": Who is the operator? What is the current status of this well? Is Division Administrative Order DHC-1240 still in affect for this well? Is this well still producing from the White City Pennsylvanian Gas Pool? If so, why is there no production being reported? If not, when was the last White City Pennsylvanian Gas production from this well?
- (4) For the Marquardt Fed. Well No. 3 in Unit "K": What is the current status of this well? Feel free to add any other pertinent data critical to this well.
- (5) Was Gruy's existing Marquardt Penn 12 Fed. Well No. 1 in Unit "O" drilled or produced prior to the promulgation of Division Rule 104.E (Special Rules for Multipal Operators Within a Spacing Unit)?

Thank you.

Stogner, Michael, EMNRD

From: JamesBruc@aol.com [JamesBruc@aol.com] **Sent:** Mon 9/12/2005 10:06 AM
To: Stogner, Michael, EMNRD
Cc:
Subject: Gruy Petroleum/Marquardt 12 Penn Fed No. 2/Ref. No. pMES0-523657901
Attachments:

Mike: Regarding your questions on the above well:

1. Chevron is the operator of the Penn. Magnum Hunter has a farmout from Chevron, under which it is drilling the well. The original deal was that, if there is a Chevron Penn well on the unit, Gruy (Magnum Hunter's operator) will drill and turn over operations to Chevron. More on this in item 5 below.
2. The well has not been spudded (although they would like to VERY soon). Because there is not an NSL order, Artesia has not issued an API number.
3. Marquardt Fed. No. 2 (Unit F): Chevron operates. The well is producing: The well was drilled and completed in the Wolfcamp, and Chevron then obtained DHC-1240 to also produce the Penn. The well is producing from the Wolfcamp AND Penn. HOWEVER, Chevron has been misreporting production as all coming from the Wolfcamp, is now aware of this, and will be correcting production reporting with the Division. Working, royalty, and overriding royalty is common in the Penn and Wolfcamp in this well, so no one has been harmed by the misreporting.
4. Marquardt Fed. No. 3 (Unit K): This well has been P&A'd.
5. Marquardt 12 Penn Fed. No. 1 (Unit O): The well was first produced (from the Penn) on 3/31/05, before Rule 104.E became effective. At that time, Gruy thought the Marquardt Fed. No. 2 well was producing only from the Wolfcamp, so they did not turn over operations to Chevron. So, there was a (technical) violation of Division regulations. (Ignorance of the law, etc.) Gruy and Chevron have now agreed to let Gruy operate Penn wells drilled under the farmout, and the agreement is being circulated for signautre. As a result, Gruy would remain as operator of this well.

Please let me know if you need further information.

Jim Bruce