

12 / 6 / 99

To: Michael Stogner

From: Mark Hawkins

2 pages to follow

December 6, 1999

Hawkins Exploration, Inc.
550 W. Texas Ave., Ste. 625
Midland, TX 79701

Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Administrative Application by Exxon
Dated August 13, 1999 for Acreage Rededication
New Mexico State "G" Lease
Sections 23 and 26, T21S-R36E

Dear Mr. Stogner:

Recently I received a term conveyance of operating rights from Exxon on the captioned lease. I did not purchase the existing producing wells, which will still be operated by Exxon. Months ago I spoke with you by phone concerning the steps I would need to take to receive approval from the NMOCD before beginning any operations on this lease. After discussing the situation with you and Exxon it was decided that Exxon would petition the NMOCD to rededicate the current acreage in section 26, by contracting the existing non standard gas proration unit to individual 40 acre units around Exxon's currently producing gas wells. The # 2 and # 10 wells are the only gas wells currently dedicated to the 560 acre non standard gas proration unit. The # 16 well and the # 27 well have been classified as oil wells and are each in their own 40 acre spacing units. Rededicating the acreage in this unit would free the balance of the acreage up for further development.

Exxon prepared an application that was submitted to you for approval. From my conversations with Exxon I understand that you sent them a letter dated August 23, 1999 requesting additional information concerning the protection of correlative rights. William Duncan with Exxon responded to your request with a letter dated September 16, 1999 in which he informed you that changing the proration units would not affect the correlative rights of Eumont owners because the mineral ownership is uniform throughout.

Since the conveyance from Exxon to Hawkins has been finalized I would like to know if you have approved Exxon's application and if so, has an order been issued. My operating partner, Joe Melton Drilling, Inc. would like to begin operations as soon as possible. Let me know if you need any further information concerning our plans and if there is anything I can do to expedite this process.

In section 23 Exxon currently has only one producing well, an oil well that is on 40 acre spacing. There are two shut-in gas wells (# 5 and # 20) in the 600 acre non standard gas proration unit which Exxon plans to turn over to me. I will attempt to get these two wells back on production. Once Exxon has assigned these two wellbores to me I will make application for a change of operator for this unit (Sec. 23).

Please feel free to call me at (915) 687-6500 if you have any questions concerning our plans to develop this State of New Mexico lease.

Sincerely,



Mark T. Hawkins