

DOCKET: COMMISSION HEARING – TUESDAY – MARCH 26, 2002

9:00 A.M. – Porter Hall
1120 So. St. Francis
Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey.

The minutes of the February 15, 2002, Commission hearing will be adopted.

This Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

Final action may be taken in the following cases:

CASE 12605: Application of Sapient Energy Corporation for special pool rules, Lea County, New Mexico.

CASE 12587: Amended application of Sapient Energy Corp for an unorthodox well location and (i) two non-standard 160-acre spacing units, or in the alternative (ii) one non-standard 160-acre spacing and proration unit, Lea County, New Mexico.

CASE 12459: De Novo – Continued from February 15, 2002, Commission Hearing.

Application of the Oil Conservation Division for an order requiring I. T. Properties to properly plug one well, Eddy County, New Mexico. Applicant seeks an order requiring I. T. Properties to appear and show cause why one (1) well located in Section 23, Township 19 South, Range 28 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.* Upon application of I. T. Properties, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12744: De Novo – Continued from February 15, 2002, Commission Hearing.

Application of TMBR/Sharp Drilling, Inc. appealing to the Director of the New Mexico Oil Conservation Division the Hobbs District Supervisor's decision denying approval of two applications for permit to drill ("APDs") filed by TMBR/Sharp Inc., Lea County, New Mexico. Applicant requests that the Director order the District Supervisor to approve TMBR/Sharp's permit to drill its Blue Fin 25 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the W/2 of Section 25, Township 16 South, Range 35 East and TMBR/Sharp's permit to drill its Leavelle 23 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 23, Township 16 South, Range 35 East. These wells are located approximately 5 miles southwest of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

Commission Hearing – March 26, 2002
Docket No. 09-02
Page 2 of 3

CASE 12731: De Novo – Continued from February 15, 2002, Commission Hearing.

Application of TMBR/Sharp Drilling, Inc. for an order staying Division approval of two applications for permit to drill obtained by David H. Arrington Oil & Gas, Inc., Lea County, New Mexico. Applicant seeks an order staying David H. Arrington Oil & Gas, Inc.'s applications for permit to drill the Triple Hackle Dragon 25 Well No. 1, W/2 of Section 25, Township 16 South, Range 35 East and the Blue Drake 23 Well No. 1, E/2 of Section 23, Township 16 South, Range 35 East, pending a final adjudication of ownership. These wells are located approximately 4 miles north of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12758: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring Kersey and Company To Bring One (1) Well into Compliance with Rule 201-B, and Assessing Appropriate Civil Penalties, Lea County, New Mexico. The Applicant seeks an order requiring Kersey and Company, the operator of one inactive well located in Lea County, New Mexico, to bring said well into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof. The affected well is as follows:

WELL NAME AND NUMBER	API NO.	ULSTR
Hover "1" #001	30-025-00789	A-32-17S-32E

Upon application of Kersey and Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12733: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring General Minerals Corporation To Bring One (1) Well into Compliance with Rule 201.B and Assessing Appropriate Civil Penalties, Eddy County, New Mexico.

The Applicant seeks an order requiring General Minerals Corporation, the operator of one inactive well located in Eddy County, New Mexico, to bring said well into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof. The affected well is as follows:

Well	API No.	Twsp.	Range	Sec.	Unit
Federal "CCC" #1	30-015-25477	16S	31E	4	K

Upon application of General Minerals Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12739: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring Coulthurst Management & Investments Inc. to Bring Twelve (12) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties, Sandoval County, New Mexico.

Commission Hearing – March 26, 2002
Docket No. 09-02
Page 3 of 3

The Applicant seeks an order requiring Coulthurst Management & Investments Inc., the operator of twelve inactive wells located in Sandoval County, New Mexico, to bring said wells into compliance with OCD Rule 201.B by either restoring said wells to production or beneficial use, plugging and abandoning said wells or securing Division approval for temporary abandonment thereof. The affected wells are the following:

WELL NAME AND NUMBER	API NO.	UNIT/SEC/TWSHP/RANGE
Ann #003	30-043-05040	A-33-18N-03W
Ann #005	30-043-07011	A-33-18N-03W
Ann #006	30-043-60003	A-33-18N-03W
Ann #015	30-043-20248	A-33-18N-03W
Darla #001	30-043-20678	H-33-18N-03W
Darla #002	30-043-05035	H-33-18N-03W
Darla #007	30-043-07017	H-33-18N-03W
Darla #016	30-043-20247	H-33-18N-03W
Erin #001	30-043-20861	C-33-18N-03W
Erin #003	30-043-20868	F-33-18N-03W
Erin #004	30-043-20869	F-33-18N-03W
Jenny #001	30-043-20894	O-28-18N-03W

Upon application of Coulthurst Management & Investments Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

**MINUTES OF THE HEARING
OF THE OIL CONSERVATION COMMISSION
HELD ON FEBRUARY 15, 2002**

The Oil Conservation Commission met at 9 o'clock a.m. on February 15, 2002, in Porter Hall, 1220 S. St. Francis Dr., Santa Fe, New Mexico.

PRESENT: **JAMI BAILEY, Member**
 ROBERT LEE, Member
 LORI WROTENBERY, Chairman

The hearing was called to order by Chairman Wrotenbery. Case 12459, the application of the Oil Conservation Division for an order requiring I. T. Properties to properly plug one well, Eddy County, New Mexico, to be heard De Novo upon the application of I. T. Properties, was called and continued to the Commission hearing scheduled for March 26, 2002.

The following cases were called: Case 12567, the application of Ocean Energy Resources, Inc. for compulsory pooling and four non-standard oil and gas spacing and proration units, Lea County, New Mexico; Case 12535, the application of Ocean Energy Resources, Inc. for compulsory pooling and four non-standard oil and gas spacing and proration units, Lea County, New Mexico; Case 12590, the application of Yates Petroleum Corporation for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico; Case 12569, the amended application of Yates Petroleum Corporation for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico; Case 12738, the application of Yates Petroleum Corporation for two non-standard gas spacing and proration units, Lea County, New Mexico; and Case 12794, the application of Ocean Energy Resources, Inc. for compulsory pooling and four non-standard oil and gas spacing and proration units, Lea County, New Mexico. All of these cases were continued to the Commission hearing scheduled for September 27, 2002.

Case 12744, the application of TMBR/Sharp Drilling, Inc. appealing to the Director of the New Mexico Oil Conservation Division the Hobbs District Supervisor's decision denying approval of two applications for permit to drill ("APDs") filed by TMBR/Sharp Inc., Lea County, New Mexico, and Case 12731, the application of TMBR/Sharp Drilling, Inc. for an order staying Division approval of two applications for permit to drill obtained by David H. Arrington Oil & Gas, Inc., Lea County, New

Mexico, both to be heard De Novo upon the application of TMBR/Sharp Drilling, Inc., were called and continued to the Commission hearing scheduled for March 26, 2002.

The Commission approved and adopted the minutes of the December 4, 2001 Commission hearing.

Steve Ross, General Counsel for the Commission, summarized the proposed Open Meetings Act Resolution and pointed out minor changes from last year's resolution. The resolution was signed and adopted by the Commission for the year 2002 and is attached to these minutes.

After motion and second to the motion, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1 H, to deliberate on pending adjudicatory proceedings and to consult with Commission counsel concerning threatened and pending litigation. The hearing was called back into open session and Chairman Wrotenbery announced that matters addressed in the motion to close were the only items discussed during the closed session. Order No. R-11573-B was entered in Case No. 12601.

The hearing was adjourned at 9:50 a.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

LORI WROTENBERY, Chairman

FINAL ACTION TO BE TAKEN

Continued from February 15, 2002 Commission Hearing

CASE 12605: De Novo

Application of Sapient Energy Corporation for special pool rules, Lea County, New Mexico. Applicant seeks the promulgation of special pool rules for the West Monument-Tubb Gas Pool, which currently comprises the E/2 of Section 7, Township 20 South, Range 37 East (located approximately three miles southwest of Monument, New Mexico), including provisions for 80-acre spacing and designated well location requirements. Upon application of Sapient Energy Corporation, Chevron U.S.A. Production Company and Conoco, Inc., this case will be heard De Novo pursuant to the provisions of Division Rule 1220.

FINAL ACTION TO BE TAKEN

Continued from February 15, 2002 Commission Hearing

CASE 12587: De Novo

Amended application of Sapient Energy Corporation for an unorthodox well location and (i) two non-standard 160-acre spacing units, or in the alternative (ii) one non-standard 160-acre spacing and proration unit, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location for its Bertha J. Barber Well No. 12 ("Barber 12 Well") which is located at an unorthodox gas well location 330 feet from the North line and 660 feet from the East line of Section 7, Township 20 South, Range 37 East, to be dedicated to a non-standard 160-acre gas proration and spacing unit consisting of either (i) the E/2 E/2 of this section, or in the alternative, (ii) the E/2 NE/4 of Section 7 and the W/2 NW/4 of Section 8 for production from the West Monument-Tubb Gas Pool retroactive to the date of first production (September 9, 1999). In addition, should the Division approve a non-standard 160-acre spacing and proration unit consisting of the E/2 E/2 of Section 7, then the applicant seeks the approval of a second non-standard 160-acre proration and spacing unit consisting of the W/2 E/2 of this section. This unit is located approximately 12 miles southwest of Hobbs, New Mexico. Upon application of Sapient Energy Corporation, Chevron U.S.A. Production Company and Conoco, Inc., this case will be heard De Novo pursuant to the provisions of Division Rule 1220.

Ross, Stephen

From: Brooks, David K
Sent: Monday, March 25, 2002 8:30 AM
To: Ross, Stephen
Subject: Case No. 12459; I.T. Properties

Steve:

Attached is official request for yet another continuance of this matter, inasmuch as Mr. Stubblemfield is still not satisfied.

DB



continuance 032502
ltr.doc

March 25, 2002

New Mexico Oil Conservation Commission
Attn: Hon. Lori Wrotenbery, Chair
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 12459; I.T. Properties

Ladies and Gentlemen:

The captioned case is set for hearing on March 26, 2002.

As indicated by the attached copy of letter from Mike Stubblefield, it appears that, although the well that is the subject of this case has been reworked, it is not yet in compliance with OCD rules in Mr. Stubblefield's view. The operator has been notified of the District's requirements, and will presumably proceed to comply.

Accordingly, I request one more continuance of this case to the next Commission docket.

Very truly yours,

David K. Brooks
Assistant General Counsel

ec: Mr. Steven C. Ross, OCC

cc: Mr. Paul R. Owen
Montgomery & Andrews
Box 2307
Santa Fe, NM 87204-2307

**CASE 12459: De Novo (Continued from
February 15, 2002 Commission Hearing)**

Application of the Oil Conservation Division for an order requiring I. T. Properties to properly plug one well, Eddy County, New Mexico. Applicant seeks an order requiring I. T. Properties to appear and show cause why one (1) well located in Section 23, Township 19 South, Range 28 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug this well, the Division seeks an order (i) requiring operator to properly plug this well; (ii) authorizing the Division to plug this well; (iii) ordering a forfeiture of the plugging bond; and (iv) assessing fines for failure to comply with the order. *In the Absence of Objection, This Case Will Be Taken Under Advisement.* Upon application of I. T. Properties, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CONTINUED TO APRIL 26, 2002 ✓



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

March 25, 2002

Lori Wrotenbery
Director
Oil Conservation Division

New Mexico Oil Conservation Commission
Attn: Hon. Lori Wrotenbery, Chair
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 12459; I.T. Properties

Ladies and Gentlemen:

The captioned case is set for hearing on March 26, 2002.

As indicated by the attached copy of letter from Mike Stubblefield, it appears that, although the well that is the subject of this case has been reworked, it is not yet in compliance with OCD rules in Mr. Stubblefield's view. The operator has been notified of the District's requirements, and will presumably proceed to comply.

Accordingly, I request one more continuance of this case to the next Commission docket.

Very truly yours,

David K. Brooks
Assistant General Counsel

ec: Mr. Steven C. Ross, OCC

cc: Mr. Paul R. Owen
Montgomery & Andrews
Box 2307
Santa Fe, NM 87204-2307



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

7001 1940 0001 9971 2450

3/11/2002

I.T. PROPERTIES
3502 YACHCLUB CT.
ATT: WENDELL CHEN
ARLINGTON, TX 76106

RE: 30-015-21638 F-23-19s-28e DHY STATE #1

DEAR MR. WENDELL CHEN,

O.C.D. HAS WITNESSED AND APPROVED THE M.I.T. RAN 3/7/2002 ON THE DHY ST. #1
5.5" CASING STRING. THE TESTED SECTION OF THE 5.5" CASING WAS FROM A PACKER SET
AT 4050' TO SURFACE.

THIS DOES NOT COMPLETE REQUIREMENTS AS PER RULE R-203.C.SECTION {A} .
A RETRIEVABLE BRIDGE PLUG OR PACKER WILL BE RUN TO WITH-IN ONE HUNDRED {100}
FEET OF UPPERMOST PERFORATIONS OR PRODUCTION CASING SHOE AND THE CASING LOADED
WITH INERT FLUID AND PRESSURE TESTED TO 500# FOR SQUARE INCH WITH A PRESSURE DROP
NOT GREATER THAN 10% FOR THIRTY {30} MINUTES.

INCLOSED WITH-IN THIS LETTER IS A COPY OF THE WITNESSED MIT TEST CHART FOR YOUR FILE.

PLEASE TAKE ACTIONS TO BRING THE DHY STATE #1 INTO COMPLIANCE WITH RULE R-203.C.
SECTION {A} AND R-ORDER 5184 WITH-IN THIRTY DAYS FROM THE DATE OF THIS LETTER.

SINCERELY,

MIKE STUBBLEFIELD ENVIR. ENG. SPEC.

CC: PAUL R. OWEN, ESQ.
DAVID BROOKS



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Acting Cabinet Secretary

February 14, 2002

Lori Wrotenbery
Director
Oil Conservation Division

New Mexico Oil Conservation Commission
Attn: Hon. Lori Wrotenbery, Chair
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 12459; I.T. Properties

Ladies and Gentlemen:

The captioned case is set for hearing on February 15, 2002.

As indicated by the attached copy of email from Mike Stubblefield, as well as telephone contacts from Respondent's attorney, it appears that the well that is the subject of this case has been restored to production. However, paperwork to confirm this was not complete as of January 15, and I am unable to ascertain whether or not it is now complete.

Accordingly, I request one more continuance of this case to the next Commission docket.

Very truly yours,

David K. Brooks
Assistant General Counsel

ec: Mr. Steven C. Ross, OCC

cc: Mr. Paul R. Owen
Montgomery & Andrews
Box 2307
Santa Fe, NM 87204-2307

Brooks, David K

From: Stubblefield, Mike
Sent: Tuesday, January 15, 2002 3:22 PM
To: Brooks, David K
Cc: Gum, Tim
Subject: PHONE CONVERSATION WITH WENDELL CHEN 1/15/2002

DAVID,

I SPOKE WITH MR. WENDELL CHEN OWNER OF I.T. PROPERTIES TODAY. MR. CHEN INFORMED ME HE HAD RIGGED UP ON THE DHY STATE #1 IN NOVEMBER 2001 AND HAD REPAIRED THE 5.5" CASING IN THE WELL USING A CASING PATCH. HE SAID THE 5.5" CASING WAS NOW HOLDING POSITIVE PRESSURE.

I REQUESTED FOR MR. CHEN TO SEND A C-103 FORM TO O.C.D. REPORTING REPAIR ACTIONS TAKEN ON THE DHY STATE #1 IN NOVEMBER. I INFORMED MR. CHEN THE 5.5" CASING WOULD HAVE TO PASS A CASING INTEGRITY TEST AND THE DHY ST. #1 BE PLACED BACK TO PRODUCTION STATUS BEFORE ORDER NO. R-11520 COULD BE DISMISSED.

MIKE S.

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

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

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

November 5, 2001
VIA FACSIMILE

David Brooks, Esq.
New Mexico Department of Energy,
Minerals, and Natural Resources
Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: New Mexico Oil Conservation Division Order No. R-11520; In the Matter of the Hearing Called by the New Mexico Oil Conservation Division on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any Plugging Bond Covering this Well.

Dear Mr. Brooks:

This case is scheduled once again to be heard by the Commission. It is scheduled for this Tuesday's docket, in response to our latest request for a continuance which I submitted on October 11, 2001.

We received your letter of October 29, 2001, indicating that Mr. Stubblefield of the Artesia office will require that additional reporting forms be filed by I.T. Properties, before the Division could agree that the case could be dismissed.

On Thursday, November 1, 2001, my client sent by federal express a C-101 to the Artesia office, seeking approval to plug the Morrow formation in the subject well and return the well to production from the Bone Springs formation. As soon as that plan is approved, my client will move another rig onto the well and complete the indicated work.

Please let me know if my client's submission of the C-101, as well as its frequent communications with Mr. Stubblefield's office and significant recent work on the well, are sufficient to warrant dismissal of this case. Alternatively, we request a continuance of this case for two months, to the January Commission docket. I understand that the date for that docket has not yet been set.

David Brooks, Esq.
November 5, 2001
Page 2

I look forward to confirmation that this case has been either dismissed or continued.

Very truly yours,


Paul R. Owen

cc: Mr. Wendell Chen (via facsimile)
Ms. Florene Davidson (via facsimile)

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

OIL CONSERVATION DIV.

01 AUG 23 PM 12:54

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
Telephone (505) 982-3873
Fax (505) 982-4289
www.montand.com

August 22, 2001
VIA FACSIMILE

David Brooks, Esq.
New Mexico Department of Energy,
Minerals, and Natural Resources
Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: New Mexico Oil Conservation Division Order No. R-11520; In the Matter of the Hearing Called by the New Mexico Oil Conservation Division on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any Plugging Bond Covering this Well.

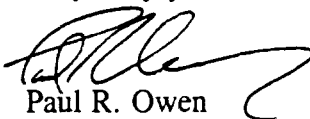
Dear Mr. Brooks:

In the last few days you and I have traded voice mail messages regarding a continuance of the hearing in the above-captioned case. This afternoon I spoke with Florene Davidson regarding that continuance.

This letter is confirming that the Division is continuing the hearing in this matter from this Friday, August 24, 2001, until the regularly-scheduled Commission hearing to be held on Friday, October 12, 2001.

Please let me know if you have any questions.

Very truly yours,



Paul R. Owen

cc: Mr. Wendell Chen (via facsimile)
Mr. Tim Gum (via facsimile)
Ms. Florene Davidson (via facsimile)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

May 29, 2001

VIA FACSIMILE AND FIRST CLASS MAIL

Paul R. Owen, Esq.
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307

**RE: In the Matter of the Hearing Called by the New Mexico Oil Conservation Division on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any Plugging Bond Covering this Well.
New Mexico Oil Conservation Division Order No. R-11520**

Dear Mr. Owen:

It has come to my attention that in my letter dated May 22, 2001, I said that the next hearing of the Oil Conservation Commission would be June 29, which is incorrect. The next hearing will be held June 22. I apologize for any inconvenience or confusion my error may have caused.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kurt J. Van Deren".

Kurt J. Van Deren
Assistant General Counsel
New Mexico Energy, Minerals & Natural
Resources Department

cc: Ms. Lori Wrotenbery
Stephen C. Ross, Esq.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

May 22, 2001

VIA FACSIMILE AND FIRST CLASS MAIL

Paul R. Owen, Esq.
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307

**RE: In the Matter of the Hearing Called by the New Mexico Oil Conservation Division on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any Plugging Bond Covering this Well.
New Mexico Oil Conservation Division Order No. R-11520**

Dear Mr. Owen:

This morning, Mike Stubblefield faxed me a copy of the letter dated May 21, 2001, and the Subsequent Report of Remedial Work he received from Mr. Chen, regarding work on the well owned by I.T. Properties. After reviewing the letter and report, and after discussing them with Mr. Stubblefield, I write on behalf of the Oil Conservation Division ("OCD") to say that Mr. Chen's proposal to continue the matter from the Oil Conservation Commission's May 25th hearing until its June 29th hearing is acceptable to OCD. This will give I.T. Properties the time it needs to obtain financial approval from its partners—Yates Petroleum, Yates Drilling, Abo, Myco, and Devon Energy. Please have Mr. Chen inform Mr. Stubblefield and his supervisor, Tim Gum, as soon as he has received the necessary financial approval.

Mr. Stubblefield also informs me that, indeed, I.T. Properties may have to wait for a rig to become available to perform the necessary work once it receives financial approval from its partners. Please have Mr. Chen keep Mr. Stubblefield and Mr. Gum informed of his progress in securing a rig to perform the work.

OCD is pleased that I.T. Properties is taking steps to repair the problems with the subject well; that is the reason OCD is willing to grant the continuance. If, however, I.T. Properties ceases to take the necessary steps to repair its well, OCD is still prepared to proceed to a hearing to seek an order

Paul R. Owen, Esq.

May 22, 2001

Page 2 of 2

from the Oil Conservation Commission directing that the well be plugged and the bond be forfeited.

Thank you for your cooperation in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kurt J. Van Deren". The signature is written in a cursive, slightly stylized font.

Kurt J. Van Deren

Assistant General Counsel

cc: Stephen C. Ross, Esq.
Ms. Lori Wrotenbery
Mr. Tim Gum (via facsimile)
Mr. Mike Stubblefield (via facsimile)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

April 26, 2001

Via Facsimile and First Class Mail

Paul R. Owen
Montgomery & Andrews PA
P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Re: CASE 12459: De Novo – Continued from March 30, 2001, Commission Hearing.
Application of the Oil Conservation Division for an order requiring I. T. Properties to properly plug one well, Eddy County, New Mexico. Applicant seeks an order requiring I. T. Properties to appear and show cause why one (1) well located in Section 23, Township 19 South, Range 28 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order.

Dear Mr. Owen,

I am in possession of your letter of this date addressed to the Oil Conservation Commission requesting that the hearing in this matter be continued to the next regularly scheduled hearing of the Commission. Knowing that you and Mr. Van Deren are attempting to come to agreement concerning the Division's application referenced above, Ms. Wrotenbery is inclined to recommend that the matter be continued as you propose. If agreement is reached concerning the Division's application, I would appreciate being apprised of same and being furnished with a written request to dismiss the application for *de novo* review.

Thanks you for your continued attention to this matter.

Sincerely,

Stephen C. Ross
Assistant General Counsel

Cc: Kurt Van Deren, Esq.
Commission Secretary

MONTGOMERY & ANDREWSPROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAWPaul R. Owen
Direct Dial: (505) 986-2538
powen@montand.comPost Office Box 2307
Santa Fe, New Mexico 87504-2307
325 Paseo de Peralta
Telephone (505) 982-3873
Fax (505) 982-4289
www.montand.com

April 26, 2001

VIA HAND DELIVERYLori Wrotenbery, Director
Oil Conservation Commission
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 Order No. R-11520;
New Mexico Oil Conservation Case No. 12459;
In the Matter of the Hearing Called by the New Mexico Oil Conservation Division
on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug
and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing
the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any
Plugging Bond Covering this Well.**

Dear Ms. Wrotenbery:

I.T. Properties, appellant in the above-referenced case, hereby requests that the hearing in this matter, currently scheduled for Friday, April, 27, 2001, be continued until the next regularly-scheduled hearing of the New Mexico Oil Conservation Commission, on May 25, 2001.

Very truly yours,



Paul R. Owen

Enclosures

cc: Mr. K. Wendall Chen
Steven Ross, Esq.
Kurt J. Van Deran, Esq.
Mr. Tim Gum

OIL CONSERVATION DIV.
APR 26 AM 8:20

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

**IN THE MATTER OF THE HEARING CALLED BY THE
NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION")
THROUGH THE SUPERVISOR OF DIVISION DISTRICT II IN
ARTESIA, NEW MEXICO, ON ITS OWN MOTION FOR AN
ORDER (I) REQUIRING I.T. PROPERTIES TO PROPERLY
PLUG AND ABANDON A CERTAIN WELL IN EDDY
COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE
DIVISION TO PLUG AND ABANDON THIS WELL, AND
ORDERING A FORFEITURE OF ANY PLUGGING BOND
COVERING THIS WELL.**

**CASE 12459
ORDER NO. R-11520**

PREHEARING STATEMENT

This Prehearing Statement is submitted by the Oil Conservation Division ("the Division") pursuant to the rules of the Oil Conservation Commission.

PARTIES

Applicant

New Mexico Energy, Minerals and
Natural Resources Department
Oil Conservation Division

Attorney

Kurt J. Van Deren
Assistant General Counsel
New Mexico Energy, Minerals and
Natural Resources Department
1220 S. Saint Francis Drive
Santa Fe, NM 87505
(505) 476-3213

Respondent

I.T. Properties
Attention: K. Wendell Chen, Ph.D.
3502 Yacht Club Court
Suite 100
Arlington, TX 76016
(817) 572-3915

Attorney

Paul R. Owen, Esq.
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307
(505) 982-3873

STATEMENT OF THE CASE

The well at issue was originally drilled in 1975. I.T. Properties took over operation of the well in 1991. In October 1996, a Packer Leakage Test was performed on the well. That test revealed that the well was leaking in several places. The Division made repeated efforts to encourage I.T. Properties to repair the well, all to no avail. Because all such efforts were unsuccessful, the Division ultimately applied for an order that the well be plugged and the plugging bond be forfeited in order to prevent waste, to protect correlative rights, and to protect public health and the environment. That order—Order No. R-11520—was entered on January 31, 2001, after a hearing on the matter, which was held on January 24. It is from that order that I.T. Properties appeals.

PROPOSED EVIDENCE

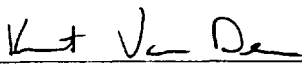
The Division will present the following evidence:

<u>Witnesses</u>	<u>Estimated Time</u>	<u>Exhibits</u>
Mike Stubblefield District II Field Representative	30 minutes	3 (with several subparts each)

PROCEDURAL MATTERS

None.

Respectfully submitted,

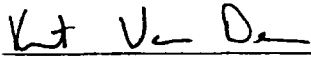

Kurt J. Van Deren
Attorney for Applicant
Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Prehearing Statement was hand-delivered to the following this 26th day of April, 2001:

Stephen C. Ross, Esq.
Oil Conservation Commission
1220 S. Saint Francis Drive
Santa Fe, NM 87505

Paul R. Owen, Esq.
Montgomery & Andrews, P.A.
325 Paseo de Peralta
Santa Fe, NM 87501



Kurt J. Van Deren

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

OIL CONSERVATION DIV.
61 APR 25 PM 2:17

IN THE MATTER OF THE HEARING CALLED BY THE
NEW MEXICO OIL CONSERVATION DIVISION
("DIVISION") THROUGH THE SUPERVISOR OF DIVISION
DISTRICT II IN ARTESIA, NEW MEXICO, ON ITS OWN
MOTION FOR AN ORDER (I) REQUIRING I.T.
PROPERTIES TO PROPERLY PLUG AND ABANDON A
CERTAIN WELL IN EDDY COUNTY, NEW MEXICO; OR
(II) AUTHORIZING THE DIVISION TO PLUG AND
ABANDON THIS WELL, AND ORDERING A FORFEITURE
OF ANY PLUGGING BOND COVERING THIS WELL.

**CASE 12459
ORDER NO. R-11520**

AMENDED PRE-HEARING STATEMENT

This Amended Prehearing Statement is submitted by Montgomery & Andrews, P.A. as required by the Oil Conservation Commission. A Pre-Hearing Statement stating the incorrect name of the Respondent, I.T. Properties, was filed with the Commission on April 24, 2001.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

RESPONDENT

I.T. Properties
Attention: K. Wendall Chen, Ph.D
3502 Yacht Club Court
Suite 100
Arlington, Texas 76016
(817) 572-3915

ATTORNEY

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

OPPOSITION OR OTHER PARTY

ATTORNEY

STATEMENT OF CASE

RESPONDENT

I. T. Properties appeals Order No. R-11520 from the New Mexico Oil Conservation Division which requires I.T. Properties to properly plug and abandon the DHY State #1 well, Section 23, Township 19 South, Range 28 East, Eddy County, New Mexico. I.T. Properties requests that Order No. R-11520 be vacated and that I.T. Properties be permitted to re-work and produce the well.

PROPOSED EVIDENCE

RESPONDENT

WITNESSES

(Name and expertise)

EST. TIME

EXHIBITS

K. Wendall Chen, Ph.D.
(Mechanical Engineer
and President of Company)

Approx. 30 min.

Approx. 9

George Scott
(Petroleum Geologist)

Approx. 15 min.

Approx. 6

PROCEDURAL MATTERS

None.



Paul R. Owen

Attorney for Respondent I.T. Properties

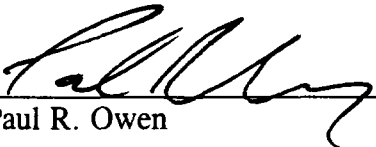
CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of April, 2001, I have caused a copy of our Prehearing Statement in the above-captioned case to be hand-delivered to the following:

Steven Ross, Esq.
Oil Conservation Commission
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

and to be sent via facsimile to the following:

Mr. Tim Gum
District Supervisor
New Mexico Oil Conservation Division
811 S. First Street
Artesia, New Mexico 88210
(505) 748-9720 (fax)



Paul R. Owen

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
Telephone (505) 982-3873
Fax (505) 982-4289
www.montand.com

March 28, 2001
VIA HAND DELIVERY

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

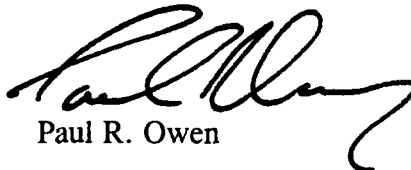
OIL CONSERVATION DIV
01 MAR 28 PM 1:44

**Re: New Mexico Oil Conservation Division Order No. R-11520;
New Mexico Oil Conservation Case No. 12459;
In the Matter of the Hearing Called by the New Mexico Oil Conservation Division
on its Own Motion for an Order (I) Requiring I.T. Properties to Properly Plug
and Abandon a Certain Well in Eddy County, New Mexico; or (II) Authorizing
the Division to Plug and Abandon this Well, and Ordering a Forfeiture of any
Plugging Bond Covering this Well.**

Dear Ms. Wrotenbery:

I.T. Properties, appellant in the above-referenced case, hereby requests that the hearing in this matter, currently scheduled for Friday, March 30, 2001, be continued until the next regularly-scheduled hearing of the New Mexico Oil Conservation Commission, on April 27, 2001.

Very truly yours,



Paul R. Owen

Enclosures

cc: Mr. K. Wendell Chen
Steven Ross, Esq.
Mr. Tim Gum

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

**CASE NO. 12459
ORDER NO. R-11520**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF DIVISION DISTRICT II IN ARTESIA, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING I. T. PROPERTIES TO PROPERLY PLUG AND ABANDON A CERTAIN WELL IN EDDY COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THIS WELL, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND COVERING THIS WELL.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 11, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 31st day of January, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) I. T. Properties of Arlington, Texas is the current owner and operator of the DHY State Well No. 1 (API No. 30-015-21638) located 1980 feet from the North and West lines (Unit F) of Section 23, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) In compliance with Section 70-2-14, NMSA 1978 and Division Rule 101 the operator has posted with the Division a blanket plugging bond in the amount of \$ 50,000.00 issued by the Gulf Insurance Company of Dallas, Texas, as surety (Bond No. 58-54-63).

(4) The purpose of a plugging bond is to assure that an operator will properly plug and abandon its well or wells when not capable of commercial production or no longer utilized for some other beneficial purpose.

(5) At this time, the Division seeks an order directing the operator to plug the

above-described well in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon this well and: (i) declare forfeiture of I. T. Properties' plugging bond and order foreclosure; (ii) order the recovery of any costs of its plugging in excess of the amount of the bond; and (iii) impose a fine on the operator for failure to comply with this order.

(6) This matter was styled such that in the absence of objection this case would be taken under advisement. Representatives of the Division's district office in Artesia (District II) and the Division's office in Santa Fe prepared a detailed report and summary supporting its position that the subject well should be plugged and abandoned.

(7) The operator did not appear at the hearing.

(8) This well has not produced hydrocarbons and has been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(9) By virtue of the failure to use the subject well for beneficial purposes or to have approved temporary abandonment permits, the subject well is presumed to have been abandoned by I. T. Properties.

(10) The current condition of this well is such that if action is not taken to properly plug and abandon the well, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and fresh waters may be in danger of contamination.

(11) In order to prevent waste and to adequately protect correlative rights and the environment, the above-described well should be plugged and abandoned by I. T. Properties in accordance with a program approved by the supervisor of the Division's Artesia District Office on or before March 1, 2001.

(12) Should I. T. Properties not meet this March 1, 2001 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond and recover from the operator the plugging cost incurred by the Division.

IT IS THEREFORE ORDERED THAT:

(1) I. T. Properties of Arlington, Texas is hereby ordered to plug and abandon its DHY State Well No. 1 (API No. 30-015-21638) located 1980 feet from the North and West lines (Unit F) of Section 23, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico on or before March 1, 2001.

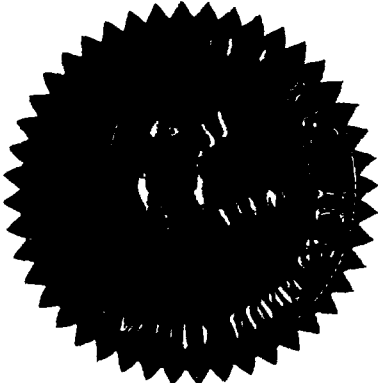
(2) I. T. Properties, prior to plugging and abandoning the above-described well, shall obtain from the supervisor of the Division's district office in Artesia, New Mexico, an approved plugging program and shall notify the Artesia District Office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should I. T. Properties fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have this well properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on the \$ 50,000.00 blanket plugging bond issued by Gulf Insurance Company of Dallas, Texas, as surety (Bond No. 58-54-63), and to recover from the operator any costs in excess of the amount of this bond to help defray plugging costs incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject I. T. Properties to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

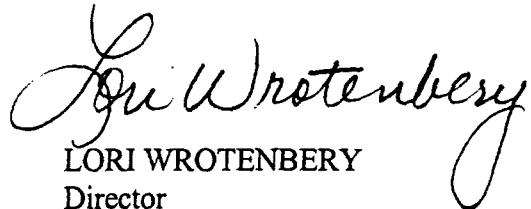
(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

OIL CONSERVATION DIV.
JUN 20 AM 7:33

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF DISTRICT II FOR AN ORDER REQUIRING
I. T. PROPERTIES TO PROPERLY PLUG ONE WELL IN EDDY COUNTY, NEW
MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING
A FORFEITURE OF THE PLUGGING BOND, IF ANY.**

CASE NO. 12459

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. I. T. Properties ("Operator") is the operator of the following well:

DHY St. No. 1 located 1980' FNL and 1980' FWL in Section 23, Township 19, Range

28 East (Unit F) in Eddy County, New Mexico
2. Operator has posted a surety bond in the amount of \$50,000.00 for said well in
compliance with NMSA 1978, § 70-2-14 and Rule 101 of the Rules of the Oil Conservation
Division ("Division"), which bond is conditioned upon compliance with the statutes of the State
of New Mexico and the Rules of the Division with respect to the proper plugging and
abandonment of the well operated by Operator. Gulf Insurance Company is the surety .
3. The subject well has not produced hydrocarbon or carbon dioxide substance or has
otherwise been inactive for more than one year or is no longer usable for beneficial purposes
and no permit for temporary abandonment has been requested by the Operator or approved by
the Division.
4. By virtue of the failure to use the well for beneficial purposes or to have approved
a current temporary abandonment permit, the well is presumed to have been abandoned
and is required to be plugged.

5. By authority of NMSA 1978, § 70-2-14 the Rules of the Division require wells that are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been made or attempted to be made upon the Operator either to place the subject well to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the same, and the Operator has failed to do so.

WHEREFORE, the Supervisor of District II of the Oil Conservation Division applies to the Director to enter an order:

A. Determining whether the well should be plugged in accordance with a Division-approved plugging program.

B. Upon a determination that the well should be plugged, directing Operator to plug the well.

C. Further ordering that if Operator fails to plug and abandon the well as ordered by the Director, that the Division be authorized: i. to plug the well; ii. to declare forfeit on the bond, if any, and to take such action to foreclose on the bond; and iii. to recover from the Operator any costs of plugging the well in excess of the amount of the bond, if any.

D. For such other and further relief as the Division deems just and proper, including the assessment of fines.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read 'Marilyn S. Hebert', is written over the typed name.

Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

**CASE 12744: De Novo (Continued from February 15,
2002 Commission Hearing)**

Application of TMBR/Sharp Drilling, Inc. appealing to the Director of the New Mexico Oil Conservation Division the Hobbs District Supervisor's decision denying approval of two applications for permit to drill ("APDs") filed by TMBR/Sharp Inc., Lea County, New Mexico. Applicant requests that the Director order the District Supervisor to approve TMBR/Sharp's permit to drill its Blue Fin 25 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the W/2 of Section 25, Township 16 South, Range 35 East and TMBR/Sharp's permit to drill its Leavelle 23 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 23, Township 16 South, Range 35 East. These wells are located approximately 5 miles southwest of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

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

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

APPLICATION OF TMBR/SHARP DRILLING
INC. FOR AN ORDER STAYING DAVID H.
ARRINGTON OIL & GAS, INC. FROM
COMMENCING OPERATIONS, LEA COUNTY,
NEW MEXICO.

Case No. 12,731 (de novo)

APPLICATION OF TMBR/SHARP DRILLING
INC. APPEALING THE HOBBS DISTRICT
SUPERVISOR'S DECISION DENYING APPROVAL
OF TWO APPLICATIONS FOR PERMIT TO
DRILL FILED BY TMBR/SHARP DRILLING,
INC., LEA COUNTY, NEW MEXICO.

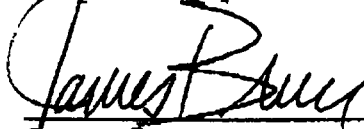
Case No. 12,744 (de novo)

Order No. R-11700-A

ENTRY OF APPEARANCE

James Bruce enters his appearance in the above cases on behalf
of Ocean Energy, Inc.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Ocean Energy, Inc.

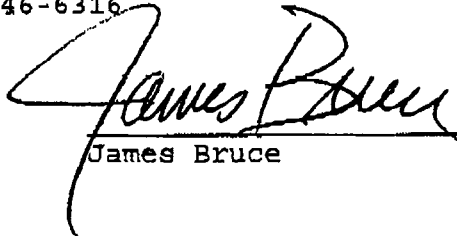
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Entry of Appearance was served upon the following counsel of record via facsimile transmission this 25th day of March, 2002:

Stephen C. Ross
Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Fax No. (505) 476-3220

W. Thomas Kellahin
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
Fax No. (505) 982-2047

Ernest L. Carroll
Losee, Carson, Haas & Carroll, P.A.
P.O. Box 1720
Artesia, New Mexico 88211
Fax No. (505) 746-6316


James Bruce

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2266

SANTA FE, NEW MEXICO 87504-2266

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 962-4285
TELEFAX (505) 962-2047

March 25, 2002

VIA FACSIMILE

Ms. Lori Wrotenbery, Chair
Oil Conservation Commission
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Revision to Re-Hearing Statement

Order No. R-11700

NMOCD Case 12731

**Application of TMBR/Sharp Drilling, Inc.
for an order staying David H. Arrington
Oil & Gas, Inc. from commencing
operations, Lea County, New Mexico.**

NMOCD Case 12744

**Application of TMBR/Sharp Drilling, Inc.
appealing the Hobbs District Supervisor's
decision denying approval of two applications
for permit to drill filed by TMBR/Sharp
Drilling, Inc., Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of TMBR/Sharp Drilling, Inc., please find enclosed our revision to page 9 of the Pre-Hearing Statement originally filed on March 18, 2002.

Very truly yours,



W. Thomas Kellahin

cc: Earnest Carroll, Esq.

Attorney for Arrington

cc: TMBR/Sharp

Rick Montgomery, Esq.

WITNESSES

WITNESSES

EST. TIME EXHIBITS

Mark Nearburg

Jeffrey D. Phillips

PROCEDURAL MATTERS

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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

IN THE MATTER OF THE APPLICATION OF :
TMBR/SHARP DRILLING, INC. FOR AN ORDER :
STAYING DIVISION APPROVAL OF TWO :
APPLICATIONS FOR PERMITS TO DRILL :
BY DAVID H. ARRINGTON OIL & GAS, INC. :
LEA COUNTY, NEW MEXICO : **CASE NO. 12731**

IN THE MATTER OF THE APPLICATION OF :
TMBR/SHARP DRILLING, INC. APPEALING :
THE HOBBS DISTRICT SUPERVISOR'S :
DECISION DENYING APPROVAL OF TWO :
APPLICATIONS FOR PERMITS TO DRILL FILED :
BY TMBR/SHARP DRILLING, INC. :
LEA COUNTY, NEW MEXICO : **CASE NO. 12744**

OIL CONSERVATION DIV
02 MAR 20 PM 1:57

PREHEARING STATEMENT

This prehearing statement is submitted by DAVID H. ARRINGTON OIL & GAS, INC. as required by the Oil Conservation Commission.

APPEARANCES OF PARTIES

APPLICANT

TMBR/Sharp Drilling, Inc.	W. Thomas Kellahin Kellahin and Kellahin P.O. Box 2265 Santa Fe, NM 87504 (505) 982-4285
---------------------------	--

OPPOSITION

David H. Arrington Oil & Gas, Inc.	Ernest L. Carroll Losee, Carson, Haas & Carroll P.O. Box 1720 Artesia, NM 88211-1720 (505) 746-3505
------------------------------------	---

STATEMENT OF THE CASE

1. This matter has come before the Commission on TMBR/Sharp Drilling Inc.'s (TMBR/Sharp") Request for a De Novo Hearing before the New Mexico Oil Conservation Commission filed on January 7, 2002, which requested that the Commission review New Mexico Oil Conservation Division Cases 12731 and 12744 and Division Order R-11700.
2. The issue with respect to Cases 12731 and 12744 and Division Order R-11700 as alleged by TMBR/Sharp is which of the two contending parties is entitled to approved APDs for two spacing units where there is a dispute as to the rightful owner of the underlying oil and gas leasehold. The dispute as to the rightful owner of the underlying oil and gas leasehold is a matter which is the subject of pending litigation in the Fifth Judicial District Court, Lea County, New Mexico. Division Order R-11700 concluded that it had no jurisdiction to determine the validity of any title to and oil or gas lease, or whether an oil and gas lease was valid or continued in force and effect and that the exclusive jurisdiction of such matters resided in the courts of the State of New Mexico. Division Order R-11700 further concluded that since Arrington's APDs were filed at a time when no conflicting APDs had been filed, that the APDs conformed to applicable OCD Rules, and that Arrington had demonstrated at least a colorable claim of title conferring the right to drill the proposed wells, the Division denied TMBR/Sharp's Application appealing the denial of the TMBR/Sharp APDs (Case No. 12744) and denied TMBR/Sharp's Application for an order staying approval

of the Arrington APDs until final conclusion of the TMBR/Sharp lawsuit (Case No. 12731).

3. With respect to Case No. 12731, there is no final conclusion.
4. With respect to Case No. 12744, the APDs at issue are for the Triple-Hackle Dragon "25" Well No. 1 to be located in the W/2 of Section 25, Township 16 South, Range 35 East, Lea County, New Mexico and the Blue Drake "23" Well No. 1 to be located in the E/2 of Section 23, Township 16 South, Range 35 East, Lea County, New Mexico. At the time Arrington submitted its APDs, Arrington believed that it owned a right to drill the proposed wells. Arrington's belief that it owned a right to drill the proposed wells is still an issue before the Fifth Judicial District Court.
5. Presently Arrington has an undivided 15% of the operating rights in the proration unit designated for the Triple Hackle Dragon "25" No. 1 Well, pursuant to certain farmout agreements with Ocean Energy. The leases, with respect to the farmout agreements with Ocean Energy, are not at issue herein. Arrington's acquisition of these operating rights give Arrington an independent right to seek a permit to drill a well and to be the operator of such well which does not rely upon the disputed ownership of the Stokes and Hamilton leases which is before the Fifth Judicial District Court.
6. Arrington has advised TMBR/Sharp of its agreement to release the APD for the Blue Drake "23" Well No. 1 to allow TMBR/Sharp to drill the Leavelle "23" Well No. 1. To date TMBR/Sharp has not responded to Arrington's offer to release the APD.
7. There is presently scheduled before the New Mexico Oil Conservation Division on its March 21, 2002, docket, Case No. 12816 and Case No. 12841. Case No. 12816 is the Application of TMBR/Sharp Drilling, Inc. for compulsory pooling of all mineral

interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 25, Township 16 South, Range 35 East, Lea County, to form a standard 320-acre gas spacing unit to be dedicated to TMBR/Sharp's Blue Fin "25" Well No. 1. Case No. 12841 is the Application of Ocean Energy, Inc. for compulsory pooling of all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of Section 25, Township 16 South, Range 35 East, Lea County, to form a standard 320-acre gas spacing unit to be dedicated to the Triple Hackle Dragon "25" Well No. 1. TMBR/Sharp's Blue Fin "25" Well No. 1 and the Triple Hackle Dragon "25" Well No.1 are the same APDs at issue in Case No 12744 which is sought to be reviewed de novo herein. The N/2 spacing unit designation of the Blue Fin "25" Well No. 1 and the W/2 spacing unit designation of the Triple Hackle Dragon "25" Well No. 1 are in direct conflict and the Division's order regarding compulsory pooling with respect to these wells will effectively resolve the issue before Commission with respect to whether the APD in question should or should not have been approved by the District Supervisor. Therefore any issue with respect to the Blue Fin "25" Well No. 1 and the Triple Hackle Dragon "25" Well No. 1 contained in Cases No. 12731 and 12744 and Division Order No. R-11700 will be moot once the Division has made its decision.

8. Since the date the filing of TMBR/Sharp's request for de novo review before the Commission, TMBR/Sharp has filed a Motion of TMBR/Sharp Drilling, Inc. to Reopen Cases 12731 and 12744 and Amend Order R-11700 Based Upon New Evidence before the Division ("TMBR/Sharp's Motion"). Given the filing of TMBR/Sharp's Motion seeking to reopen the matter before the Division a de novo review by the

Commission, prior to a resolution of the pending motion by the Division, is premature.

PROPOSED EVIDENCE

DAVID H. ARRINGTON OIL & GAS, INC.:

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Enich Diffie (landman)	15 min	
Jeff Bane (David H. Arrington Oil & Gas, Inc.)	45 min	1. Ocean Farmout 2. Agreement February 11, 2002, letter to Mr. Kellahin

PROCEDURAL MATTERS

TMBR has filed an Application of TMBR/Sharp Drilling, Inc. for compulsory pooling, Lea County, New Mexico, which is also on the docket for consideration on March 21, 2002, as Case 12816. Case 12416 is in direct conflict with the instant case because it proposes the drilling of the Blue Fin "25" Well No. 1 to be dedicated to the N/2 of Section 25, Township 16 South, Range 35 East, Lea County, New Mexico.

Respectfully submitted,

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 

Ernest L. Carroll

P.O. Box 1720

Artesia, NM 88211-1720

(505)746-3505

Attorneys for David H. Arrington Oil & Gas, Inc.

I hereby certify that I caused a true and correct copy of the foregoing to be mailed to counsel of record this March 18, 2002.


Ernest L. Carroll

214 West Texas
Suite 400, (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Phone: (915) 682-6685
Fax: (915) 682-4139

September 10, 2001

Mr. Derold Maney
Ocean Energy, Inc.
1001 Fannin, Suite 1600
Houston, TX 77992

Re: Assignment Of Rights In And To Certain Farmout Agreements Concerning The
SW/4 Of Section 25, T16S, R35E, Lea County, New Mexico
South Payday "25" Prospect

02 MAR 20 PM 57
OIL COMMISSION DIV

Gentlemen:

When executed by the parties hereto, this letter agreement (this "Agreement") shall set forth the agreement between Ocean Energy, Inc. a Louisiana corporation ("Ocean") and David H. Arrington Oil & Gas, Inc. ("Arrington") concerning the assignment of thirty percent (30%) of Ocean's right in and to those certain farmout agreements covering the SW/4 of Section 25, T16S, R35E, Lea County, New Mexico, more particularly described on Schedule 1 hereto (such agreement, as may be amended, supplemented, restated or otherwise modified from time to time, a "Farmout Agreement", and collectively, the "Farmout Agreements"). For good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties do hereby agree as follows:

1. On or before July 1, 2002, but not earlier than January 10, 2002, time being of the essence, Arrington shall commence actual drilling of a test well (the "Test Well") to be located in the NW/4 of Section 25, T16S, R35E, Lea County, New Mexico, referred to as the Triple Hackle Dragon 25 #1 Well, and shall thereafter prosecute drilling of the Test Well to penetrate and test the lower Mississippian Lime formation (as hereinafter defined) or to a depth of approximately thirteen thousand two hundred feet (13,200'), whichever is the lesser depth (the "Contract Depth") and shall complete the Test Well as capable of producing oil and/or gas in paying quantities or plug and abandon the same. Ocean shall participate in the drilling of this Test Well for its proportionate share. The Lower Mississippian Lime formation is defined as that certain gas and condensate bearing zone encountered at the stratigraphic equivalent depth of twelve thousand four hundred and four feet (12,404'), as shown on that certain compensated neutron three detector density log measurement in the Mayfly "14" State Com # 1 Well, located in Section 14, Township 16 South, Range 35 East, Lea County, New Mexico.

ARRINGTON OIL & GAS, INC.
BEFORE THE COMMISSION
NMOCD CASE NO. 12731 & 12744
DATE: 03/26/02
EXHIBIT NO. 1

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 2 of 6

In the event that the drilling title opinion rendered by a law firm licensed to do business in the State of New Mexico shall contain title requirements such that Arrington or Ocean as a reasonable and prudent operator is unable to commence drilling operations on the Test Well prior to July 1, 2002, Arrington or Ocean shall no later than January 5, 2002, initiate force pooling proceeding for a 320 acre unit comprised of the W/2 of Section 25, T16S, R35E, Lea County, New Mexico. Arrington or Ocean shall diligently and expeditiously pool such lands in order to cure such title requirements so that the Test Well may be drilled prior to July 1, 2002.

Should Arrington or Ocean fail to successfully cure such title defects through force pooling proceeding or otherwise and fail to timely commence drilling operations on the Test Well by July 1, 2002, then Ocean shall have the right, but not the obligation, to become the designated Operator under the Operating Agreement for the drilling of the Test Well through the point of first production; subsequently, Ocean shall relinquish operations under said Test Well to Arrington, and Arrington shall be the designated Operator under the Operating Agreement. Notwithstanding anything contained in this Agreement to the contrary Ocean shall not be obligated to participate in the drilling of the Test Well for a share of costs greater than thirty-five percent (35%) and Ocean is satisfied in its sole discretion that the remainder of the costs for the Test Well will be paid, either by Arrington or another third party with title to the leasehold interest in the lands contained within the pooling order issued by the New Mexico Oil Conservation Division.

2. In the event any well is lost for any reason prior to being drilled to Contract Depth or Arrington has encountered, during the drilling of any well, mechanical difficulty or a formation or condition which would render further drilling impracticable or impossible, Arrington may plug and abandon that well and may continue its rights under this agreement by commencing a substitute well (or wells) ("Substitute Well(s)") for any such well which has been lost or abandoned within sixty (60) days from the date the drilling rig is removed from the location of the prior well. Any Substitute Well drilled shall be drilled subject to the same terms and conditions and to the same depth as provided for the well so lost or abandoned. Any reference in this agreement to the Test Well shall be deemed to be a reference to any well or wells, which may be drilled as a Substitute Well. In the event that either party elects to drill a Substitute Well as provided herein, the other party must participate in same, or forfeit to the participating party any interest which it would have otherwise earned by virtue of its participation in such Substitute Well.
3. Contemporaneously herewith, Arrington and Ocean shall have entered into that certain Operating Agreement attached hereto as Exhibit A (the "Operating Agreement"), covering the W/2 of Section 25, T16S, R35E, Lea County, New Mexico (the "Contract Area"). Exhibit "A" to the Operating Agreement shall be completed based upon the results of the drillsite title opinion being prepared covering the W/2 of said Section 25.
4. Subject to the terms and conditions (i) of this agreement, (ii) each Farmout Agreement and (iii) the Joint Operating Agreement, Ocean hereby assigns unto Arrington, an undivided

02/26/02 10:51 FAX 951-306-4400

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 4 of 5

portion of the Arrington Evaluation Material which Ocean's counsel advises that it is compelled to disclose and will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to that portion of the Arrington Evaluation Material which is being disclosed. Arrington agrees that Ocean shall have no liability hereunder for any disclosure of the Arrington Evaluation Material made in compliance with this Paragraph 6.

7. Ocean has acquired proprietary 3D seismic data across certain lands, including, without limitation, T15S, R35E, Lea County, New Mexico (i) Section 7: W/2, W/2NE/4, W/2SE/4, SE/4SE/4; (ii) Section 17: W/2NW/4, NW/4SW/4; and (iii) Section 18: N/2, N/2S/2 (such 3D seismic data, collectively, the "Ocean 3D Data"). Ocean agrees (and represents to Arrington that Ocean has the right to so agree) that Arrington shall (i) have access to the Ocean 3D Data in Ocean's offices during normal business hours, in order to work and interpret the Ocean 3D Data and (ii) have access to and copies of, Ocean's interpretations of the Ocean 3D Data (the Ocean 3D Data together with such interpretations thereof, the "Ocean Evaluation Material"). Ocean shall retain full ownership rights to the Ocean 3D Data, and no ownership or license to the Ocean 3D Data shall be conveyed to Arrington. Except as provided for in this Paragraph 7, Ocean makes no representations or warranties to Arrington (i) as to the Ocean 3D Data (ii) or in respect of Arrington's reliance upon the Ocean Evaluation Material. Arrington shall keep the Ocean Evaluation Material confidential; provided however, that such obligation of confidentiality shall not apply to shall not apply to information which (i) was or becomes available to the public other than as a result of a disclosure by Arrington, (ii) was or becomes available to Arrington on a non-confidential basis from a source other than Ocean, provided that such source is not known by Arrington to be bound by a confidentiality agreement with Ocean or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, (iii) was within Arrington's possession prior to its being furnished by Ocean, (iv) is developed or derived without the aid, application or use of the Ocean Evaluation Material, (v) is disclosed following receipt of the written consent of Ocean to such disclosure being made, or (vi) is disclosed pursuant to Paragraph 8 hereof.
8. In the event that Arrington is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena civil investigative demand or other process) to disclose any of the Ocean Evaluation Material, Arrington agrees that it will provide Ocean with prompt notice of any such request or requirement (written if practical) so that Ocean may seek an appropriate protective order or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder prior to the time such disclosure is required to be made, Arrington may disclose that portion of the Ocean Evaluation Material which Arrington's counsel advises that it is compelled to disclose and will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to that portion of the Ocean Evaluation Material which is being disclosed. Ocean agrees that Arrington shall have no liability hereunder for any disclosure of the Ocean Evaluation Material made in compliance with this Paragraph 8.

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 5 of 6

9. It is not the intention of the parties to create a partnership, nor shall this agreement be construed as creating a mining or other partnership, joint venture, agency relationship or other association, or to render the parties liable as partners, co-venturers or principals. Unless provided for to the contrary in the Operating Agreement, (i) the liability of the parties shall be several, not joint or collective and (ii) each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs, if any, to be incurred hereunder. No party shall have any liability hereunder to third parties to satisfy the default of any other party in the payment of any expense or obligation.
10. This Agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the State of Texas. **THE PARTIES HEREBY CONSENT TO THE EXCLUSIVE VENUE OF THE PROPER STATE OR FEDERAL COURT LOCATED IN MIDLAND COUNTY, TEXAS, AND HEREBY WAIVE ALL OTHER VENUES.**
11. This Agreement, the Exhibits and Schedules hereto and the Operating Agreement set forth all understandings between the parties respecting the subject matter of this transaction, and all prior agreements, understandings and representations, whether oral or written, respecting this transaction are merged into and superseded by this written agreement.
12. This agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns and the terms hereof shall be deemed to run with the lands described herein. If any transfer is effected by a party pursuant to the terms of this agreement, or by any of its successors or assigns, the transfer will be made expressly subject to this agreement, and the transferor shall remain responsible for the obligations of the transferee until the transferee expressly assumes in writing all of the existing duties and obligations of the transferor.
13. This agreement may not be altered or amended, nor any rights hereunder waived, except by an instrument, in writing, executed by the party to be charged with such amendment or waiver. No waiver of any other term, provision or condition of this agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, other provision or condition or as a waiver of any other term, provision or condition of this agreement.
14. **EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.**
15. If any provision of this agreement is invalid, illegal or incapable of being enforced, all other provisions of this agreement shall nevertheless remain in full force and effect, so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to either party.

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 6 of 6

If this properly sets forth your understanding of our agreement, please so indicate by signing in the space provided below, and returning to my attention.

Mr. Derold Mancy
Ocean Energy, Inc.
September 10, 2001
Page 7 of 6

Yours truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

DD/rd

ACCEPTED AND AGREED THIS 14th DAY OF NOVEMBER ~~SEPTEMBER~~, 2001

OCEAN ENERGY, INC.

By: 

Hank Wood
Attorney-in-Fact



Schedule I to that certain Letter Agreement,
by and between Ocean Energy, Inc., a Louisiana corporation
and David H. Arrington Oil & Gas, Inc.,
dated as of September 10, 2001

1. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Branex Resources, Inc., as Farmor, as amended by that certain Letter Agreement, dated as of August 14, 2001, attached hereto as Exhibits B-1 and B-2;
 2. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and States, Inc. and B.B.L., Ltd., as Farmor, as amended by that certain Letter Agreement, dated as of August 22, 2001, attached hereto as Exhibits C-1 and C-2;
 3. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Judith White, Trustee¹, as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit D-1 and D-2;
 4. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Slash Four Enterprises, Inc., as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit D-1 and D-2;
 5. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Pabo Oil & Gas, as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit D-1 and D-2;
 6. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Phelps White, III, as Farmor, attached hereto as Exhibit E;
 7. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and David R. Gannaway, as Farmor, attached hereto as Exhibit F; and
 8. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc. a Louisiana corporation, as Farmee, and ICA Energy, Inc., as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit G-1 and G-2.
-

ERNEST L. CARROLL
JOEL M. CARSON
JANE SHULER GRAY
JAMES E. HAAS
OF COUNSEL
A. J. LOSEE

LAW OFFICES
LOSEE, CARSON, HAAS & CARROLL, P. A.
311 WEST QUAY AVENUE
P. O. BOX 1720
ARTESIA, NEW MEXICO 88211-1720
PHONE (505) 746-3505
FAX (505) 746-6316

11 February 2002

W. Thomas Kellahin
Kellahin and Kellahin
117 North Guadalupe
P.O. Box 2265
Santa Fe, NM 87504-2265

Re: Oil Conservation Commission Hearings Case 12744 and Case 12731

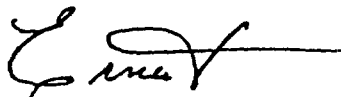
Dear Tom:

The purpose of this letter is to memorialize our last telephone conversations concerning the above two referenced cases. As you will recall I sought continuances in the above two cases in order to allow us time to reach some sort of an agreement with respect to the two applications for permit to drill ("APDs") at issue. The APD in Section 23, I advised you that Arrington would be willing to release and to allow TMBR/Sharp to drill the well in that section. With respect to the APD in Section 25, Arrington has other lease hold acreage thus entitling it to operate a well. Arrington would not release that APD but would proceed with preparations to drill the well.

I have also been informed of the fact that you have recently had a stroke and that these two cases were put off from their February 14th date until the following Commission date in March. If it is necessary and if we are unable to reach some sort of an agreement, then I will work with you in whatever way necessary to allow you to recover from the stroke. As you are well aware I have gone through the same thing recently and am in a position to most appreciate your predicament. I wish you well and hope that you are able to recover as quickly as I have. Best wishes to you Tom.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:ct
cc: Rick Montgomery

ARRINGTON OIL & GAS, INC.
BEFORE THE COMMISSION
NMOC CASE NO. 12731 & 12744
DATE: 03/26/02
EXHIBIT NO. 2

mailed out 2-11-02

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

**IN THE MATTER OF THE APPLICATION OF :
TMBR/SHARP DRILLING INC. FOR AN ORDER :
STAYING DIVISION APPROVAL OF TWO :
APPLICATIONS FOR PERMIT TO DRILL BY :
DAVID H. ARRINGTON OIL & GAS, INC., LEA :
COUNTY, NEW MEXICO :** **CASE NO. 12731**

**IN THE MATTER OF THE APPLICATION OF :
TMBR/SHARP DRILLING INC. APPEALING :
THE ARTESIA DISTRICT SUPERVISOR'S :
DECISION DENYING APPROVAL OF TWO :
APPLICATIONS FOR PERMIT TO DRILL :
FILED BY TMBR/SHARP DRILLING, INC. :
LEA COUNTY, NEW MEXICO :** **CASE NO. 12744**

02 MAR 18 PM 5:14

OIL CONSERVATION DIV.

**DAVID H. ARRINGTON OIL & GAS, INC.'S
RESPONSE TO MOTION OF TMBR/SHARP DRILLING, INC.
TO REOPEN CASES 12731 AND 12744 AND AMEND
ORDER R-11700 BASED UPON NEW EVIDENCE**

COMES NOW David H. Arrington Oil & Gas Inc. ("Arrington") by and through its attorneys, LOSEE, CARSON, HAAS & CARROLL, P.A. (Ernest L. Carroll), and responds to the Motion of TMBR/Sharp Drilling, Inc. to Reopen Cases 12731 and 12744 and Amend Order R-11700 Based Upon New Evidence (TMBR/Sharp's Motion).

The basis of TMBR/Sharp's Motion is the notion that the December 27, 2001, ruling by the District Court in CV-2001-315 C, Fifth Judicial District, Lea County, New Mexico (the "Order") constitutes new evidence in this matter because the District Court ruled that the TMBR/Sharp leases are still valid. The Order does not constitute new evidence in this matter.

TMBR/Sharp mischaracterizes the Order as "a final order" and erroneously states that the Order conclusively resolved the matter against Arrington and demonstrates that Arrington

wrongfully obtained the approval of its APD's from the Division. The Order is not "a final order" and therefore can not be considered as "new evidence." Moreover, the Order does not conclusively resolve the matter against Arrington and demonstrate that Arrington wrongfully obtained the approval of its APD's from the Division.

The Order is not a final order. It is an interlocutory order.¹ An interlocutory order is an order or decision which does not practically dispose of all of the merits of an action. Interlocutory orders are subject to be overturned, modified or changed at any time prior to the issuance of a final order and is thereafter subject to appeal. Interlocutory orders may be revisited at any time prior to a final judgment. Sims v. Sims, 1996-NMSC-078, 122 N.M. 681; Barker v. Barker, 94 N.M. 162, 165-166, 608 P.2d 138, 141-142 (1980); Universal Constructors, Inc. v. Fielder, 118 N.M. 657, 659, 884 P.2d 813, 815 (Ct. App. 1994). An interlocutory order does not conclusively resolve any issue and therefore should not be considered as "new evidence" until such time as a final order has been rendered.

TMBR/Sharp's argument that the Order "demonstrates that Arrington wrongfully obtained the approval of its APDs from the Division," could not be further from the truth. In the District Court matter, TMBR/Sharp filed a motion for partial summary judgment alleging that Arrington was guilty of tortious interference with their contractual rights with respect to the Stokes and Hamilton leases. In its motion TMBR/Sharp alleged that Arrington knew it had wrongfully obtained the approval of the Triple Hackle Dragon "25" Well No. 1 and the Blue Drake "23" Well No. 1. On March 12, 2002, the District Court issued its Order Denying Partial Summary Judgment Regarding Tortious Interference stating:

¹ Arrington requested that the District Court amend its December 27, 2001, order so that it would be "a final order." The District Court declined to do so.

“The pivotal issue is whether the first element of the tort, that Arrington had knowledge of the TMBR/Sharp-Stokes lease, is at issue. Plaintiff asserts that Arrington knew that TMBR/Sharp had a valid lease to drill on the property when Arrington obtained the permit to drill. Arrington denies such knowledge asserting it reasonably believed that the TMBR/Sharp-Stokes lease (and Plaintiff’s rights thereunder ceased to exist) had expired and that the Huff Top Leases were valid and in effect. Herein exists a genuine issue of material facts as to this element which can only be resolved by a jury.” See copy of March 12, 2002, Order Denying Partial Summary Judgment Regarding Tortious Interference attached hereto as Exhibit “1”.

Clearly the issue as to whether Arrington “wrongfully obtained the approval of its APD’s from the Division” is a matter which is still under consideration by the District Court and which the District Court has determined is a matter for the jury to decide.

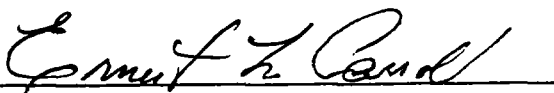
Additionally, TMBR/Sharp’s Motion is also based upon the notion that Arrington has no independent right to drill and operate the APD’s at issue because it does not own an interest in either the E/2 of Section 23 or the W/2 of Section 25. TMBR/Sharp is mistaken. Pursuant to certain farmout agreements with Ocean Energy, Arrington has an undivided 15% of the operating rights in the proration unit designated for the Triple Hackle Dragon “25” No. 1 Well. The leases, with respect to the farmout agreements with Ocean Energy, are not at issue herein. Arrington’s acquisition of these operating rights give Arrington an independent right to seek a permit to drill a well and to be the operator of such well which does not rely upon the disputed ownership of the Stokes and Hamilton leases. See a copy of the Ocean Farmout agreement attached hereto as Exhibit “2”. Further, Arrington has advised TMBR/Sharp of its agreement to release the APD for the Blue Drake “23” Well No. 1 to allow TMBR/Sharp to drill the Leavelle “23” Well No. 1. See a copy of February 11, 2002, letter to opposing counsel attached hereto as Exhibit “3”. To date TMBR/Sharp has not responded to

Arrington's offer to release the APD.

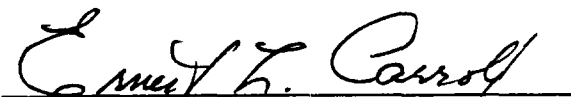
For the foregoing reasons TMBR/Sharp's Motion to Reopen Cases 12731 and 12744 and Amend Order R-11700 Based Upon New Evidence should be denied.

Respectfully submitted,

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 
Ernest L. Carroll
P.O. Box 1720
Artesia, NM 88211-1720
(505)746-3505
Attorneys for David H. Arrington Oil & Gas, Inc.

I hereby certify that I caused a true and correct copy of the foregoing to be mailed to counsel of record this March 15, 2002.


Ernest L. Carroll

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF LEA
STATE OF NEW MEXICO

TMBR/SHARP DRILLING, INC.,
Plaintiff,

FIFTH JUDICIAL DISTRICT
LEA COUNTY NM
FILED IN MY OFFICE
02 MAR 12 PM 3:16
JANIE G. HERNANDEZ
DISTRICT COURT CLERK

vs.

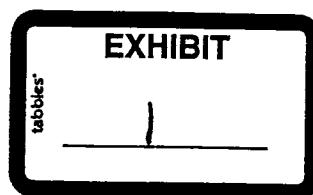
No. CV2001-315C

DAVID H. ARRINGTON OIL & GAS,
INC., JAMES D. HUFF, MADELINE
STOKES, ERMA STOKES HAMILTON,
JOHN DAVID STOKES, and TOM STOKES,
Defendants.

ORDER DENYING PARTIAL SUMMARY JUDGMENT REGARDING TORTIOUS
INTERFERENCE

THIS MATTER HAVING come before the Court upon the Plaintiff's Motion for Partial Summary Judgment Regarding Tortious Interference. The Defendant, David H. Arrington Oil and Gas, Inc. raises the defense of justification and privilege and asserts it "had a reasonable belief that the original Stokes Leases had expired by their own term and that Arrington had the right to seek such permits pursuant to the terms of the Huff Top Leases." (see affidavit of Jeffery G. Bane ¶ 7 which is Exhibit 1 to Defendant's Response filed February 12, 2002) It should be noted Bane does not set forth specific admissible facts supporting what gave rise to this "reasonable belief." In argument, counsel asserted that the "reasonableness" of this "belief" would be proved at trial by introducing industry standards and expert testimony to the jury. Counsel further asserted that Defendant's good faith and reasonable belief created genuine material issues of fact for the jury to resolve. For purposes of this Motion the Court will assume Defendant acted upon a good faith "reasonable belief."

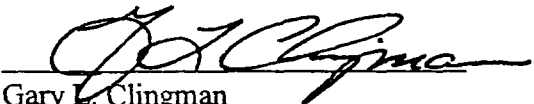
The Defense has not cited to the Court any authority from New Mexico or any other jurisdiction in support of his position that reasonableness and good faith equate justification or privilege. The Court can find no decision from New Mexico stating that reasonable people acting in good faith are privileged to commit this tort or that the laws of New Mexico are such that reasonable people acting in good faith to advance their own business fortunes have a lawful excuse to commit the tort. The Court however does not resolve this motion on that basis.



The pivotal issue is whether the first element of the tort, that Arrington had knowledge of the TMBR/Sharp-Stokes lease, is at issue. Plaintiff asserts that Arrington knew that TMBR/Sharp had a valid lease to drill on the property when Arrington obtained the permit to drill. Arrington denies such knowledge asserting it reasonably believed that the TMBR/Sharp-Stokes lease (and Plaintiff's rights thereunder ceased to exist) had expired and that the Huff Top Leases were valid and in effect. Herein exists a genuine issue of material facts as to this element which can only be resolved by a jury. Whether the remaining elements of the tort are controverted need not be addressed by the Court at this time.

Plaintiff's Motion for Partial Summary Judgement Regarding Tortious Interference is not well taken and IS DENIED.

IT IS SO ORDERED.


Gary L. Clingman
District Judge

CERTIFICATE

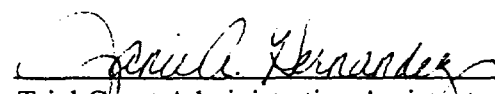
I HEREBY CERTIFY that a true and correct copy of the foregoing Notice was mailed to all parties on the 13th day of March, 2002:

Richard Montgomery, Esquire
P.O. Box 2776
Midland, Texas 79702-2776

Phil Brewer, Esquire
P.O. Box 298
Roswell, NM 88202-0298

Ernest L. Carroll, Esquire
P.O. Box 1720
Artesia, NM 88221-1720

Michael J. Canon, Esquire
303 W. Wall, Suite 1100
Midland, Texas 79701

By: 
Trial Court Administrative Assistant

Original

214 West Texas
Suite 400, (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Phone: (915) 682-6685
Fax: (915) 682-4139

September 10, 2001

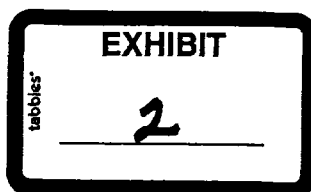
Mr. Derold Maney
Ocean Energy, Inc.
1001 Fannin, Suite 1600
Houston, TX 77992

Re: Assignment Of Rights In And To Certain Farmout Agreements Concerning The
SW/4 Of Section 25, T16S, R35E, Lea County, New Mexico
South Payday "25" Prospect

Gentlemen:

When executed by the parties hereto, this letter agreement (this "Agreement") shall set forth the agreement between Ocean Energy, Inc. a Louisiana corporation ("Ocean") and David H. Arrington Oil & Gas, Inc. ("Arrington") concerning the assignment of thirty percent (30%) of Ocean's right in and to those certain farmout agreements covering the SW/4 of Section 25, T16S, R35E, Lea County, New Mexico, more particularly described on Schedule 1 hereto (such agreement, as may be amended, supplemented, restated or otherwise modified from time to time, a "Farmout Agreement"; and collectively, the "Farmout Agreements"). For good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties do hereby agree as follows:

1. On or before July 1, 2002, but not earlier than January 10, 2002, time being of the essence, Arrington shall commence actual drilling of a test well (the "Test Well") to be located in the NW/4 of Section 25, T16S, R35E, Lea County, New Mexico, referred to as the Triple Hackle Dragon 25 #1 Well, and shall thereafter prosecute drilling of the Test Well to penetrate and test the lower Mississippian Lime formation (as hereinafter defined) or to a depth of approximately thirteen thousand two hundred feet (13,200'), whichever is the lesser depth (the "Contract Depth") and shall complete the Test Well as capable of producing oil and/or gas in paying quantities or plug and abandon the same. Ocean shall participate in the drilling of this Test Well for its proportionate share. The Lower Mississippian Lime formation is defined as that certain gas and condensate bearing zone encountered at the stratigraphic equivalent depth of twelve thousand four hundred and four feet (12,404'), as shown on that certain compensated neutron three detector density log measurement in the Mayfly "14" State Com # 1 Well, located in Section 14, Township 16 South, Range 35 East, Lea County, New Mexico.



Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 2 of 6

In the event that the drilling title opinion rendered by a law firm licensed to do business in the State of New Mexico shall contain title requirements such that Arrington or Ocean as a reasonable and prudent operator is unable to commence drilling operations on the Test Well prior to July 1, 2002, Arrington or Ocean shall no later than January 5, 2002, initiate force pooling proceeding for a 320 acre unit comprised of the W/2 of Section 25, T16S, R35E, Lea County, New Mexico. Arrington or Ocean shall diligently and expeditiously pool such lands in order to cure such title requirements so that the Test Well may be drilled prior to July 1, 2002.

Should Arrington or Ocean fail to successfully cure such title defects through force pooling proceeding or otherwise and fail to timely commence drilling operations on the Test Well by July 1, 2002, then Ocean shall have the right, but not the obligation, to become the designated Operator under the Operating Agreement for the drilling of the Test Well through the point of first production; subsequently, Ocean shall relinquish operations under said Test Well to Arrington, and Arrington shall be the designated Operator under the Operating Agreement. Notwithstanding anything contained in this Agreement to the contrary Ocean shall not be obligated to participate in the drilling of the Test Well for a share of costs greater than thirty-five percent (35%) and Ocean is satisfied in its sole discretion that the remainder of the costs for the Test Well will be paid, either by Arrington or another third party with title to the leasehold interest in the lands contained within the pooling order issued by the New Mexico Oil Conservation Division.

2. In the event any well is lost for any reason prior to being drilled to Contract Depth or Arrington has encountered, during the drilling of any well, mechanical difficulty or a formation or condition which would render further drilling impracticable or impossible, Arrington may plug and abandon that well and may continue its rights under this agreement by commencing a substitute well (or wells) ("Substitute Well(s)") for any such well which has been lost or abandoned within sixty (60) days from the date the drilling rig is removed from the location of the prior well. Any Substitute Well drilled shall be drilled subject to the same terms and conditions and to the same depth as provided for the well so lost or abandoned. Any reference in this agreement to the Test Well shall be deemed to be a reference to any well or wells, which may be drilled as a Substitute Well. In the event that either party elects to drill a Substitute Well as provided herein, the other party must participate in same, or forfeit to the participating party any interest which it would have otherwise earned by virtue of its participation in such Substitute Well.
3. Contemporaneously herewith, Arrington and Ocean shall have entered into that certain Operating Agreement attached hereto as Exhibit A (the "Operating Agreement"), covering the W/2 of Section 25, T16S, R35E, Lea County, New Mexico (the "Contract Area"). Exhibit "A" to the Operating Agreement shall be completed based upon the results of the drillsite title opinion being prepared covering the W/2 of said Section 25.
4. Subject to the terms and conditions (i) of this agreement, (ii) each Farmout Agreement and (iii) the Joint Operating Agreement, Ocean hereby assigns unto Arrington, an undivided

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 3 of 6

thirty percent (30%) of Ocean's right in and to each Farmout Agreement. In the event that any Farmout Agreement contains a requirement that the Farmor (as defined in such Farmout Agreement) thereunder consent to any such assignment, Ocean shall use its best efforts to obtain such consent; provided, however, that in the event that Ocean is unable to acquire such Farmor's consent to assign, then Ocean shall assign additional interest(s) from such other of the Farmout Agreements as Ocean may elect in its discretion such that the aggregate of Arrington's right to earn rights under all Farmout Agreements will entitle Arrington to an assignment of Ocean's interest in the Contract Area equal to an undivided thirty percent (30%), proportionately reduced to Ocean's interest in the Contract Area. The terms and conditions of this letter agreement shall apply to any extensions or renewals of each Farmout Agreement acquired by either Arrington or Ocean within 180 days of the expiration of the farmout agreement.

5. Arrington has acquired proprietary 3D seismic data across certain lands, including, without limitation; T16S, R35E, Lea County, New Mexico (i) Section 23: E/2E/2; (ii) Section 24: All that Arrington has in the SW/4; (iii) Section 25: W/2, W/2E/2; (iv) Section 26: E/2E/2; (v) Section 35: NE/4NE/4; and (vi) Section 36: N/2NW/4, NW/4NE/4 (such 3D seismic data, collectively, the "Arrington 3D Data"). Arrington agrees (and represents to Ocean that Arrington has the right to so agree) that Ocean shall (i) have access to the Arrington 3D Data in Arrington's offices during normal business hours, in order to work and interpret the Arrington 3D Data and (ii) have access to and copies of, Arrington's interpretations of the Arrington 3D Data (the Arrington 3D Data together with such interpretations thereof, the "Arrington Evaluation Material"). Arrington shall retain full ownership rights to the Arrington 3D Data, and no ownership or license to the Arrington 3D Data shall be conveyed to Ocean. Except as provided for in this Paragraph 5, Arrington makes no representations or warranties to Ocean (i) as to the Arrington 3D Data (ii) or in respect of Ocean's reliance upon the Arrington Evaluation Material. Ocean shall keep the Arrington Evaluation Material confidential; provided however, that such obligation of confidentiality shall not apply to information which (i) was or becomes available to the public other than as a result of a disclosure by Ocean, (ii) was or becomes available to Ocean on a non-confidential basis from a source other than Arrington, provided that such source is not known by Ocean to be bound by a confidentiality agreement with Arrington or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, (iii) was within Ocean's possession prior to its being furnished by Arrington, (iv) is developed or derived without the aid, application or use of the Arrington Evaluation Material, (v) is disclosed following receipt of the written consent of Arrington to such disclosure being made, or (vi) is disclosed pursuant to Paragraph 6 hereof.
6. In the event that Ocean is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena civil investigative demand or other process) to disclose any of the Arrington Evaluation Material, Ocean agrees that it will provide Arrington with prompt notice of any such request or requirement (written if practical) so that Arrington may seek an appropriate protective order or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder prior to the time such disclosure is required to be made, Ocean may disclose that

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 4 of 6

portion of the Arrington Evaluation Material which Ocean's counsel advises that it is compelled to disclose and will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to that portion of the Arrington Evaluation Material which is being disclosed. Arrington agrees that Ocean shall have no liability hereunder for any disclosure of the Arrington Evaluation Material made in compliance with this Paragraph 6.

7. Ocean has acquired proprietary 3D seismic data across certain lands, including, without limitation, T15S, R35E, Lea County, New Mexico (i) Section 7: W/2, W/2NE/4, W/2SE/4, SE/4SE/4; (ii) Section 17: W/2NW/4, NW/4SW/4; and (iii) Section 18: N/2, N/2S/2 (such 3D seismic data, collectively, the "Ocean 3D Data"). Ocean agrees (and represents to Arrington that Ocean has the right to so agree) that Arrington shall (i) have access to the Ocean 3D Data in Ocean's offices during normal business hours, in order to work and interpret the Ocean 3D Data and (ii) have access to and copies of, Ocean's interpretations of the Ocean 3D Data (the Ocean 3D Data together with such interpretations thereof, the "Ocean Evaluation Material"). Ocean shall retain full ownership rights to the Ocean 3D Data, and no ownership or license to the Ocean 3D Data shall be conveyed to Arrington. Except as provided for in this Paragraph 7, Ocean makes no representations or warranties to Arrington (i) as to the Ocean 3D Data (ii) or in respect of Arrington's reliance upon the Ocean Evaluation Material. Arrington shall keep the Ocean Evaluation Material confidential; provided however, that such obligation of confidentiality shall not apply to shall not apply to information which (i) was or becomes available to the public other than as a result of a disclosure by Arrington, (ii) was or becomes available to Arrington on a non-confidential basis from a source other than Ocean, provided that such source is not known by Arrington to be bound by a confidentiality agreement with Ocean or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, (iii) was within Arrington's possession prior to its being furnished by Ocean, (iv) is developed or derived without the aid, application or use of the Ocean Evaluation Material, (v) is disclosed following receipt of the written consent of Ocean to such disclosure being made, or (vi) is disclosed pursuant to Paragraph 8 hereof.
8. In the event that Arrington is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena civil investigative demand or other process) to disclose any of the Ocean Evaluation Material, Arrington agrees that it will provide Ocean with prompt notice of any such request or requirement (written if practical) so that Ocean may seek an appropriate protective order or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder prior to the time such disclosure is required to be made, Arrington may disclose that portion of the Ocean Evaluation Material which Arrington's counsel advises that it is compelled to disclose and will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to that portion of the Ocean Evaluation Material which is being disclosed. Ocean agrees that Arrington shall have no liability hereunder for any disclosure of the Ocean Evaluation Material made in compliance with this Paragraph 8.

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 5 of 6

9. It is not the intention of the parties to create a partnership, nor shall this agreement be construed as creating a mining or other partnership, joint venture, agency relationship or other association, or to render the parties liable as partners, co-venturers or principals. Unless provided for to the contrary in the Operating Agreement, (i) the liability of the parties shall be several, not joint or collective and (ii) each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs, if any, to be incurred hereunder. No party shall have any liability hereunder to third parties to satisfy the default of any other party in the payment of any expense or obligation.
10. This Agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the State of Texas. **THE PARTIES HEREBY CONSENT TO THE EXCLUSIVE VENUE OF THE PROPER STATE OR FEDERAL COURT LOCATED IN MIDLAND COUNTY, TEXAS, AND HEREBY WAIVE ALL OTHER VENUES.**
11. This Agreement, the Exhibits and Schedules hereto and the Operating Agreement set forth all understandings between the parties respecting the subject matter of this transaction, and all prior agreements, understandings and representations, whether oral or written, respecting this transaction are merged into and superseded by this written agreement.
12. This agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns and the terms hereof shall be deemed to run with the lands described herein. If any transfer is effected by a party pursuant to the terms of this agreement, or by any of its successors or assigns, the transfer will be made expressly subject to this agreement, and the transferor shall remain responsible for the obligations of the transferee until the transferee expressly assumes in writing all of the existing duties and obligations of the transferor.
13. This agreement may not be altered or amended, nor any rights hereunder waived, except by an instrument, in writing, executed by the party to be charged with such amendment or waiver. No waiver of any other term, provision or condition of this agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, other provision or condition or as a waiver of any other term, provision or condition of this agreement.
14. **EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.**
15. If any provision of this agreement is invalid, illegal or incapable of being enforced, all other provisions of this agreement shall nevertheless remain in full force and effect, so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to either party.

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 6 of 6

If this properly sets forth your understanding of our agreement, please so indicate by signing in the space provided below, and returning to my attention.

Mr. Derold Maney
Ocean Energy, Inc.
September 10, 2001
Page 7 of 6

Yours truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

DD/trd

ACCEPTED AND AGREED THIS 14th DAY OF November ~~SEPTEMBER~~, 2001

OCEAN ENERGY, INC.

By: 

Hank Wood
Attorney-in-Fact



Schedule 1 to that certain Letter Agreement,
by and between Ocean Energy, Inc., a Louisiana corporation
and David H. Arrington Oil & Gas, Inc.,
dated as of September 10, 2001

1. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Branex Resources, Inc., as Farmor, as amended by that certain Letter Agreement, dated as of August 14, 2001, attached hereto as Exhibits B-1 and B-2;
 2. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and States, Inc. and B.B.L., Ltd., as Farmor, as amended by that certain Letter Agreement, dated as of August 22, 2001, attached hereto as Exhibits C-1 and C-2;
 3. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Judith White, Trustee¹, as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit D-1 and D-2;
 4. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Slash Four Enterprises, Inc., as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit D-1 and D-2;
 5. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Pabo Oil & Gas, as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit D-1 and D-2;
 6. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and Phelps White, III, as Farmor, attached hereto as Exhibit E;
 7. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc., a Louisiana corporation, as Farmee, and David R. Gannaway, as Farmor, attached hereto as Exhibit F; and
 8. Farmout Agreement, dated as July 23, 2001, by and between Ocean Energy, Inc. a Louisiana corporation, as Farmee, and ICA Energy, Inc., as Farmor, as amended by that certain Letter Agreement, dated as of August 15, 2001, attached hereto as Exhibit G-1 and G-2.
-

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

311 WEST QUAY AVENUE

P. O. BOX 1720

ARTESIA, NEW MEXICO 88211-1720

PHONE (505) 746-3505

FAX (505) 746-6316

ERNEST L. CARROLL
JOEL M. CARSON
JANE SHULER GRAY
JAMES E. HAAS
OF COUNSEL
A. J. LOSEE

11 February 2002

W. Thomas Kellahin
Kellahin and Kellahin
117 North Guadalupe
P.O. Box 2265
Santa Fe, NM 87504-2265

Re: Oil Conservation Commission Hearings Case 12744 and Case 12731

Dear Tom:

The purpose of this letter is to memorialize our last telephone conversations concerning the above two referenced cases. As you will recall I sought continuances in the above two cases in order to allow us time to reach some sort of an agreement with respect to the two applications for permit to drill ("APDs") at issue. The APD in Section 23, I advised you that Arrington would be willing to release and to allow TMBR/Sharp to drill the well in that section. With respect to the APD in Section 25, Arrington has other lease hold acreage thus entitling it to operate a well. Arrington would not release that APD but would proceed with preparations to drill the well.

I have also been informed of the fact that you have recently had a stroke and that these two cases were put off from their February 14th date until the following Commission date in March. If it is necessary and if we are unable to reach some sort of an agreement, then I will work with you in whatever way necessary to allow you to recover from the stroke. As you are well aware I have gone through the same thing recently and am in a position to most appreciate your predicament. I wish you well and hope that you are able to recover as quickly as I have. Best wishes to you Tom.

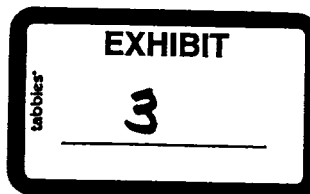
Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:ct
cc: Rick Montgomery



filed out 2-11-02
CT

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

IN THE MATTER OF THE APPLICATION OF	:	
TMBR/SHARP DRILLING, INC. FOR AN ORDER	:	
STAYING DIVISION APPROVAL OF TWO	:	
APPLICATIONS FOR PERMITS TO DRILL	:	
BY DAVID H. ARRINGTON OIL & GAS, INC.	:	
LEA COUNTY, NEW MEXICO	:	CASE NO. 12731

IN THE MATTER OF THE APPLICATION OF	:	
TMBR/SHARP DRILLING, INC. APPEALING	:	
THE HOBBS DISTRICT SUPERVISOR'S	:	
DECISION DENYING APPROVAL OF TWO	:	
APPLICATIONS FOR PERMITS TO DRILL FILED	:	
BY TMBR/SHARP DRILLING, INC.	:	
LEA COUNTY, NEW MEXICO	:	CASE NO. 12744

**MOTION TO VACATE THE COMMISSION
HEARING SET FOR MARCH 26, 2002**

COMES NOW David H. Arrington Oil & Gas Inc. ("Arrington") by and through its attorneys, LOSEE, CARSON, HAAS & CARROLL, P.A. (Ernest L. Carroll), moves the Commission for an order vacating the Commission hearing set for March 26, 2002, seeking a de novo review of the decision of the New Mexico Oil Conservation Division in Cases 12731 and 12744 and Division Order R-11700.

This matter has come before the Commission on TMBR/Sharp Drilling Inc.'s (TMBR/Sharp") Request for a De Novo Hearing before the New Mexico Oil Conservation Commission filed on January 7, 2002, which requested that the Commission review New Mexico Oil Conservation Division Cases 12731 and 12744 and Division Order R-11700. Since the date of filing of TMBR/Sharp's request for de novo hearing events have transpired which have a major impact on this matter.

There is presently scheduled before the New Mexico Oil Conservation on its March 21, 2002, docket, Case No. 12816 and Case No. 12841. Case No. 12816 is the Application of TMBR/Sharp Drilling, Inc. for compulsory pooling of all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 25, Township 16 South, Range 35 East, Lea County, to form a standard 320-acre gas spacing unit to be dedicated to TMBR/Sharp's Blue Fin "25" Well No. 1. Case No. 12841 is the Application of Ocean Energy, Inc. for compulsory pooling of all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of Section 25, Township 16 South, Range 35 East, Lea County, to form a standard 320-acre gas spacing unit to be dedicated to the Triple Hackle Dragon "25" Well No. 1. TMBR/Sharp's Blue Fin "25" Well No. 1 and the Triple Hackle Dragon "25" Well No. 1 are also at issue in Case No. 12744 which is sought to be reviewed de novo herein. The N/2 spacing unit designation of the Blue Fin "25" Well No. 1 and the W/2 spacing unit designation of the Triple Hackle Dragon "25" Well No. 1 are in direct conflict and the Division's order regarding compulsory pooling with respect to these wells will effectively resolve the issue before Commission with respect to whether the APD in question should or should not have been approved by the District Supervisor. Therefore any issue with respect to the Blue Fin "25" Well No. 1 and the Triple Hackle Dragon "25" Well No. 1 contained in Cases No. 12731 and 12744 and Division Order No. R-11700 will be moot once the Division has made its decision.

The only other issue outstanding in Cases No. 12731 and 12744 and Division Order No. R-11700 regards Arrington's approved APD for the Blue Drake "23" Well No. 1 to be located in the E/2 of Section 23, Township 16 South, Range 35 East, Lea County, New Mexico and TMBR/Sharp's denied APD for the Leavelle "23" Well No. 1 to be located in the same E/2 of

Section 23, Township 16 South, Range 35 East, Lea County, New Mexico. TMBR/Sharp's APD was denied on the basis of having previously issued the APD for the Blue Drake "23" Well No. 1 to Arrington. Prior to February 11, 2002, undersigned counsel for Arrington had a telephone conversation with counsel for TMBR/Sharp wherein undersigned counsel advised counsel for TMBR/Sharp that Arrington was willing to release its APD for the Blue Drake "23" Well No. 1. Such telephone conversation was memorialized in a letter dated February 11, 2002, which is attached hereto as Exhibit "1". The fact that Arrington is willing to release the Blue Drake "23" Well No. 1 to allow TMBR/Sharp to drill its proposed Leavelle "23" Well No. 1 resolves the remaining issues in Case No. 12731 and 12744 and Division Order 11700. Arrington asserts that it is unnecessary for the Commission to hear this matter at this time if the issues are either resolved or will be resolved by the resolution of the compulsory pooling matters to be heard by the Division on March 21, 2002.


Moreover, since the date the filing of TMBR/Sharp's request for de novo review before the Commission, TMBR/Sharp has filed a Motion of TMBR/Sharp Drilling, Inc. to Reopen Cases 12731 and 12744 and Amend Order R-11700 Based Upon New Evidence before the Division ("TMBR/Sharp's Motion"). Given the filing of TMBR/Sharp's Motion seeking to reopen the matter before the Division a de novo review by the Commission, prior to a resolution of the pending motion by the Division, is premature. The Commission has a heavy workload and should not be burdened with issues which may be resolved without its intervention or before an issue is ripe for decision.

Additionally, Arrington seeks to vacate the de novo hearing scheduled for March 26, 2002, because the person within Arrington's organization who is most qualified to testify as to the matters at issue has a prior commitment and is unable to appear at the hearing on the 26th.

For the foregoing reasons Arrington requests that the March 26, 2002, hearing be vacated and reset, if necessary, after the Division has ruled on the compulsory pooling matters and TMBR/Sharp's Motion.

Respectfully submitted,

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 

Ernest L. Carroll

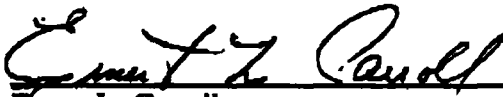
P.O. Box 1720

Artesia, NM 88211-1720

(505)746-3505

Attorneys for David H. Arrington Oil & Gas, Inc.

I hereby certify that I caused a true and correct copy of the foregoing to be mailed to counsel of record this March 15, 2002.


Ernest L. Carroll

ERNEST L. CARROLL
JOEL M. CARSON
JANE SHULER GRAY
JAMES E. HAAS
OF COUNSEL
A. J. LOSEE

LAW OFFICES
LOSEE, CARSON, HAAS & CARROLL, P. A.
311 WEST QUAY AVENUE
P. O. BOX 1720
ARTESIA, NEW MEXICO 88211-1720
PHONE (505) 746-3505
FAX (505) 746-6318

11 February 2002

W. Thomas Kellahin
Kellahin and Kellahin
117 North Guadalupe
P.O. Box 2265
Santa Fe, NM 87504-2265

Re: Oil Conservation Commission Hearings Case 12744 and Case 12731

Dear Tom:

The purpose of this letter is to memorialize our last telephone conversations concerning the above two referenced cases. As you will recall I sought continuances in the above two cases in order to allow us time to reach some sort of an agreement with respect to the two applications for permit to drill ("APDs") at issue. The APD in Section 23, I advised you that Arrington would be willing to release and to allow TMBR/Sharp to drill the well in that section. With respect to the APD in Section 25, Arrington has other lease hold acreage thus entitling it to operate a well. Arrington would not release that APD but would proceed with preparations to drill the well.

I have also been informed of the fact that you have recently had a stroke and that these two cases were put off from their February 14th date until the following Commission date in March. If it is necessary and if we are unable to reach some sort of an agreement, then I will work with you in whatever way necessary to allow you to recover from the stroke. As you are well aware I have gone through the same thing recently and am in a position to most appreciate your predicament. I wish you well and hope that you are able to recover as quickly as I have. Best wishes to you Tom.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:ct
cc: Rick Montgomery



TOTAL P.06

mailed out 2-11-02

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

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

**APPLICATION OF TMBR/SHARP
DRILLING, INC. FOR AN ORDER
STAYING DAVID H. ARRINGTON
OIL & GAS, INC. FROM COMMENCING
OPERATIONS, LEA COUNTY, NEW MEXICO.**

CASE NO. 12731

**APPLICATION OF TMBR/SHARP
DRILLING, INC. APPEALING THE
HOBBS DISTRICT SUPERVISOR'S
DECISION DENYING APPROVAL OF
TWO APPLICATIONS FOR PERMIT TO DRILL
FILED BY TMBR/SHARP DRILLING, INC.,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12744

ORDER NO. R-11700-A

ORDER OF THE DIVISION DIRECTOR

BY THE DIVISION DIRECTOR:

THIS MATTER has come before the Division Director of the Oil Conservation Division, this 21st day of March, 2002, on the Motion of David H. Arrington Oil & Gas Inc. (hereinafter referred to as "Arrington") to vacate the hearing of this matter by the New Mexico Oil Conservation Commission (hereinafter referred to as "the Commission"), and the response of TMBR/Sharp Drilling Inc. (hereinafter referred to as "TMBR/Sharp") opposing the motion, and the Division Director, having reviewed the motion and response and being fully informed in the premises,

FINDS,

1. The Motion is not well taken and should not be granted.
2. Arrington's motion to vacate the hearing argues that resolution of competing pooling applications before the Division in Case No. 12816 and Case No. 12841 will moot the matters before the Commission. However, it instead appears that the issue of

the right to drill in the NW/4 of Section 25 is vital to all four cases and should be resolved expeditiously.

3. This matter has been continued once already and should not be delayed further because of the importance of this issue to all concerned.

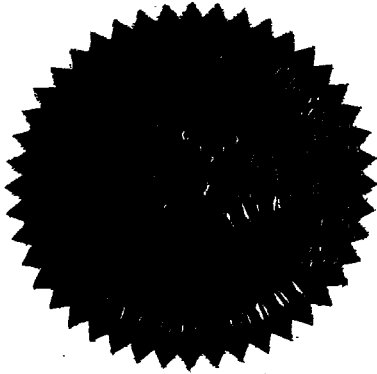
4. Arrington's motion, filed on this date just two business days prior to the hearing, is untimely.

5. Counsel are encouraged to focus their presentations to the Commission during the hearing on March 21, 2002 on the right of each party to drill in Section 25.

IT IS THEREFORE ORDERED:

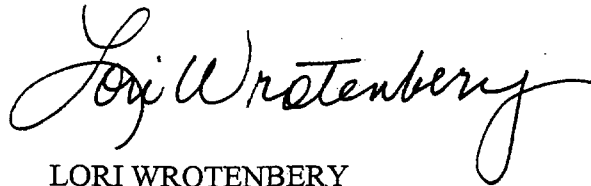
The motion to vacate of Arrington shall be and hereby is denied.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Carol Leach
Acting Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 25, 2002

W. Thomas Kellahin
Kellahin and Kellahin
117 North Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

Ernest L. Carroll
Losee, Carson, Haas & Carroll PA
P.O. Box 1720
Artesia, New Mexico 88211-1720

Re: Case No. 12731, *Application of TMBR/Sharp Drilling Inc., de novo*
Case No. 12744, *Application of TMBR/Sharp Drilling Inc., de novo*

Dear Counsel,

The Commission members have requested that copies of each exhibit which is to be offered during the hearing of this matter be provided to the Commission Secretary no later than one week prior to the date set for hearing in this matter. As the matter is now set for hearing on February 15, exhibits should be submitted to Florene Davidson no later than Friday, February 8, 2002. If an agreed continuance results in the matter being set in a subsequent month, exhibits should be submitted no later than one week prior to the re-scheduled hearing.

It would also helpful if you could provide a more detailed statement of your positions in the pre-hearing statement than is customary.

The Commission members believe that review of detailed pre-hearing statements and the documentary evidence to be offered will help them to be better prepared for the issues and testimony. As always, if you have any questions, please do not hesitate to give me a call at 476-3451.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen C. Ross".

Stephen C. Ross
Assistant General Counsel

Cc: Florene Davidson, Commission Secretary

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

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

**APPLICATION OF TMBR/SHARP
DRILLING, INC. FOR AN ORDER
STAYING DAVID H. ARRINGTON
OIL & GAS, INC. FROM COMMENCING
OPERATIONS, LEA COUNTY, NEW MEXICO.**

CASE NO. 12731

**APPLICATION OF TMBR/SHARP
DRILLING, INC. APPEALING THE
ARTESIA [S/C] DISTRICT SUPERVISOR'S
DECISION DENYING APPROVAL OF
TWO APPLICATIONS FOR PERMIT TO DRILL
FILED BY TMBR/SHARP DRILLING, INC.,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12744

ORDER NO. R-11700

ORDER OF THE DIVISION

BY THE DIVISION:

Case No. 12731 came on for hearing at 8:15 a.m. on September 20, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

Case No. 12744 came on for hearing at 8:15 a.m. on October 18, 2001, at Santa Fe, New Mexico, before Examiner David K. Brooks

NOW, on this 11th day of December, 2001, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

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

(2) In Case No. 12731, TMBR/Sharp Drilling, Inc. ("TMBR/Sharp") seeks an order staying David H. Arrington Oil & Gas Inc. ("Arrington") from commencing

operations under two approved Applications for Permit to Drill (the "Arrington APDs") pending final determination of Cause No. CV-2001-315C, now pending in the Fifth Judicial District Court of Lea County, New Mexico, styled "**TMBR/Sharp Drilling, Inc. v. David H. Arrington Oil & Gas, Inc., et al.**," ("the TMBR/Sharp suit").

(3) In Case No. 12744, TMBR/Sharp appeals the action of the Supervisor of District I of the Oil Conservation Division ("the District Supervisor") denying two Applications for Permit to Drill ("the TMBR/Sharp APDs") wherein TMBR/Sharp applied for permits to drill on the same spacing and proration units as the previously approved Arrington APDs.

(4) At the hearing in Case No. 12744, that case was consolidated with Case No. 12731, and was taken under advisement, to be determined on the basis of the record made in Case No. 12731. Since these cases involve the same units and subject matter, one order should be entered for both cases.

(5) On July 17, 2001, Arrington filed an Application for Permit to Drill (form C-101) for its proposed Triple-Hackle Dragon "25" Well No. 1, to be located in the W/2 of Section 25, Township 16 South, Range 35 East, Lea County, New Mexico, at a standard location in SW/4 NW/4 (Unit E), 750 feet from the west line and 1815 feet from the north line of the section. This APD was approved on July 17, 2001 by Paul Kautz, acting for the District Supervisor of the Division.

(6) On July 25, 2001, Arrington filed an Application for Permit to Drill (form C-101) for its proposed Blue Drake "23" Well No. 1, to be located in the E/2 of Section 23, Township 16 South, Range 35 East, Lea County, New Mexico, at a standard location in NE/4 SE/4 (Unit I), 660 feet from the east line and 1980 feet from the south line of the section. This APD was approved on July 30, 2001 by Paul Kautz, acting for the District Supervisor of the Division.

(7) The APDs described in findings (5) and (6) are the Arrington APDs that are the subject of the applications filed in these consolidated cases.

(8) On or about August 7, 2001, TMBR/Sharp filed an Application for Permit to Drill (form C-101) for its proposed Blue Fin "25" Well No. 1, to be located in the N/2 of Section 25, Township 16 South, Range 35 East, Lea County, New Mexico, at a standard location in SW/4 NW/4 (Unit E), 924 feet from the west line and 1913 feet from the north line of the section. On August 8, 2001, Paul Kautz, acting for the District Supervisor of the Division, denied this APD by reason of the previous issuance of the APD for Arrington's Triple-Hackle Dragon "25" Well No. 1.

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(10) The APDs described in findings (8) and (9) are the TMBR/Sharp APDs that are the subject of the applications filed in these consolidated cases.

(11) On August 21, 2001, TMBR/Sharp filed the TMBR/Sharp suit.

(12) In the TMBR/Sharp suit, TMBR/Sharp alleges that it is the owner of the oil and gas leasehold estate in all of the NW/4 of Section 25, and all of the SE/4 of Section 23, Township 16 South, Range 35 East, Lea County, New Mexico, along with other lands, pursuant to two oil and gas leases ("the TMBR/Sharp leases") dated August 25, 1997, from Madeline Stokes and Erma Stokes Hamilton, respectively, to Ameristate Oil & Gas, Inc., recorded respectively in Book 827 at Page 127, and in Book 827 at Page 124, Deed Records of Lea County, New Mexico.

(13) Although the primary terms of the TMBR/Sharp leases have expired, TMBR/Sharp contends that the TMBR/Sharp leases have been maintained in force and effect by the drilling of and production from its Blue Fin 24 Well No. 1, located in the SW/4 SW/4 of Section 24, Township 16 South, Range 35 East, Lea County, New Mexico, on lands allegedly pooled with the lands covered by the TMBR/Sharp leases.

(14) Arrington claims that no legally effective pooling of the SW/4 SW/4 of Section 24 with any lands covered by the TMBR/Sharp leases ever occurred, and that the TMBR/Sharp leases have expired.

(15) Arrington claims that it is the owner of the oil and gas leasehold estate in all of the NW/4 of Section 25, and all of the SE/4 of Section 23, Township 16 South, Range 35 East, Lea County, New Mexico, along with other lands, pursuant to two oil and gas leases ("the Arrington leases") dated March 27, 2001, from Madeline Stokes and Erma Hamilton, respectively, to James D. Huff, recorded respectively in Book 1084 at Page 282, and in Book 1084 at Page 285, Deed Records of Lea County, New Mexico.

(16) The Arrington APDs and the TMBR/Sharp APDs both identified the Townsend Mississippian North Gas Pool as the pool to which the well would be dedicated.

(17) The Townsend Mississippian North Gas Pool is governed by the spacing and well density requirements of Rule 104.C(2) [19 NMAC 15.C.104.C(2)].

(18) The Arrington APDs conformed to the requirements of Rule 104.C(2), and were properly approved.

(19) After approval of the Arrington APDs, the TMBR/Sharp APDs could not have been approved because:

(a) TMBR/Sharp's proposed Blue Fin "25" Well No. 1 was proposed to be located in NW/4 of Section 25, the same quarter section as Arrington's proposed Triple-Hackle Dragon "25" Well No. 1, in violation of Rule 104.C(2)(b).

(b) TMBR/Sharp's APD for its proposed Blue Fin "25" Well No. 1 proposed a N/2 dedication, whereas the previously approved Arrington APD established a W/2 spacing unit.

(c) The approval of APDs naming TMBR/Sharp as operator for wells proposed to be located in either the W/2 of Section 25 or the E/2 of Section 23, following the approval of the Arrington APDs, would contravene Rule 104.C(2)(c), which requires that any subsequent well drilled in a spacing unit be operated by the operator of the initial well.

(20) TMBR/Sharp did not present any geological or engineering testimony or evidence that the locations it proposed were in any way superior to the locations proposed in the Arrington APDs.

CONCLUSIONS OF LAW:

(21) The Oil Conservation Division has no jurisdiction to determine the validity of any title, or the validity or continuation in force and effect of any oil and gas lease. Exclusive jurisdiction of such matters resides in the courts of the State of New Mexico.

(22) Since the Arrington APDs were filed at a time when no conflicting APDs had been filed affecting the subject units, the APDs conformed to applicable OCD Rules, and Arrington has demonstrated at least a colorable claim of title that would confer upon it a right to drill its proposed wells, no basis exists to reverse or overrule the action of the District Supervisor in approving the Arrington APDs.

(23) The approval of the Arrington APDs *ipso facto* precludes approval of the TMBR/Sharp APDs.

(24) If TMBR/Sharp has better title to the lands in question, it has a fully adequate remedy in the 5th Judicial District Court of Lea County, New Mexico, which is clothed with equitable power to restrain operations authorized by the Arrington APD, or to order Arrington to withdraw the Arrington APDs, if such court determines either such action to be warranted.

(25) Since the Division has jurisdiction to revoke its approval of any APD in an appropriate case, Arrington's Motions to Dismiss TMBR/Sharp's Applications for want of jurisdiction should be denied.

(26) The Application of TMBR/Sharp for an order staying operations under the Arrington APDs until the conclusion of the TMBR/Sharp suit should be denied. However, in the interest of protecting correlative rights, commencement of operations under the Arrington APDs should be stayed for a brief time after issuance of this order to allow TMBR/Sharp to petition the 5th Judicial District Court of Lea County for temporary relief, should it elect to do so.

IT IS THEREFORE ORDERED THAT:

(1) Arrington's Motions to Dismiss TMBR/Sharp's Applications for want of jurisdiction are denied.

(1) TMBR/Sharp's Application appealing the denial of the TMBR/Sharp APDs is denied.

(2) TMBR/Sharp's Application for an order staying approval of the Arrington APDs until final conclusion of the TMBR/Sharp suit is denied.

(3) Approval of the Arrington APDs is hereby suspended for a period of ten (10) days after the date of issuance of this order, to afford TMBR/Sharp an opportunity to petition the 5th Judicial District Court of Lea County, New Mexico for relief in this matter should it elect to do so.

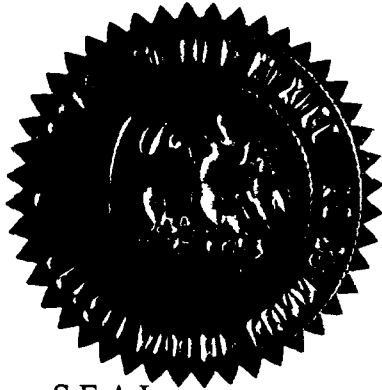
(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case Nos. 12731/12744

Order No. R-11700

Page 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
Director

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

January 8, 2002

HAND DELIVERED

Ms. Lori Wrotenbery, Chair
Oil Conservation Commission
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: REQUEST FOR HEARING DE NOVO

Order No. R-11700

NMOCD Case 12731

**Application of TMBR/Sharp Drilling, Inc.
for an order staying David H. Arrington
Oil & Gas, Inc. from commencing
operations, Lea County, New Mexico.**

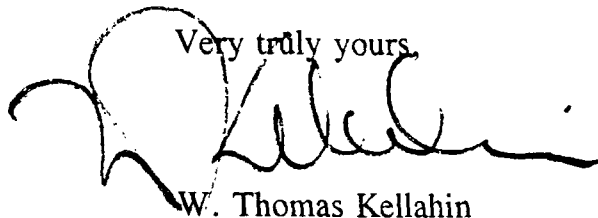
NMOCD Case 12744

**Application of TMBR/Sharp Drilling, Inc.
appealing the Hobbs District Supervisor's
decision denying approval of two applications
for permit to drill filed by TMBR/Sharp
Drilling, Inc., Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of TMBR/Sharp Drilling, Inc., please find enclosed our request for a Hearing DeNovo of the referenced cases before the New Mexico Oil Conservation Commission.

Very truly yours,



W. Thomas Kellahin

cc: Earnest Carroll, Esq.

Attorney for Arrington

cc: TMBR/Sharp

Rick Montgomery, Esq.

02 JAN -7 PM 3:28

OL CONSERVATION COM

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

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

CASE NO. 12731

**APPLICATION OF TMBR/SHARP DRILLING, INC.
FOR AN ORDER STAYING DAVID H. ARRINGTON
OIL & GAS, INC. FROM COMMENCING OPERATIONS
LEA COUNTY, NEW MEXICO**

CASE NO. 12744

**APPLICATION OF TMBR/SHARP DRILLING, INC.
APPEALING THE HOBBS DISTRICT SUPERVISOR'S
DECISION DENYING APPROVAL OF TWO
APPLICATIONS FOR PERMIT TO DRILL FILED BY
TMBR/SHARP DRILLING, INC.
LEA COUNTY, NEW MEXICO**

CLERK OF COURT
02 JAN - 7 PM 3:28

**TMBR/SHARP DRILLING, INC.'S
REQUEST FOR A DE NOVO HEARING
BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION**

Comes now TMBR/Sharp Drilling, Inc., a party of record before the New Mexico Oil Conservation Division in Cases 12731 and 12744 and adversely affected by Division Order R-11700 entered December 13, 2001, by its attorneys Kellahin & Kellahin and pursuant to NMSA (1978) Section 70-2-13, hereby requests that the New Mexico Oil Conservation Commission hold a HEARING DENOVO in these matters.

Respectfully Submitted:



W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for TMBR/Sharp Drilling, Inc.

**CASE 12731: De Novo (Continued from February 15,
2002 Commission Hearing)**

Application of TMBR/Sharp Drilling, Inc. for an order staying Division approval of two applications for permit to drill obtained by David H. Arrington Oil & Gas, Inc., Lea County, New Mexico. Applicant seeks an order staying David H. Arrington Oil & Gas, Inc.'s applications for permit to drill the Triple Hackle Dragon 25 Well No. 1, W/2 of Section 25, Township 16 South, Range 35 East and the Blue Drake 23 Well No. 1, E/2 of Section 23, Township 16 South, Range 35 East, pending a final adjudication of ownership. These wells are located approximately 4 miles north of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

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

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

**APPLICATION OF TMBR/SHARP
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STAYING DAVID H. ARRINGTON
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CASE NO. 12731

**APPLICATION OF TMBR/SHARP
DRILLING, INC. APPEALING THE
HOBBS DISTRICT SUPERVISOR'S
DECISION DENYING APPROVAL OF
TWO APPLICATIONS FOR PERMIT TO DRILL
FILED BY TMBR/SHARP DRILLING, INC.,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12744

ORDER NO. R-11700-A

ORDER OF THE DIVISION DIRECTOR

BY THE DIVISION DIRECTOR:

THIS MATTER has come before the Division Director of the Oil Conservation Division, this 21st day of March, 2002, on the Motion of David H. Arrington Oil & Gas Inc. (hereinafter referred to as "Arrington") to vacate the hearing of this matter by the New Mexico Oil Conservation Commission (hereinafter referred to as "the Commission"), and the response of TMBR/Sharp Drilling Inc. (hereinafter referred to as "TMBR/Sharp") opposing the motion, and the Division Director, having reviewed the motion and response and being fully informed in the premises,

FINDS,

1. The Motion is not well taken and should not be granted.
2. Arrington's motion to vacate the hearing argues that resolution of competing pooling applications before the Division in Case No. 12816 and Case No. 12841 will moot the matters before the Commission. However, it instead appears that the issue of

the right to drill in the NW/4 of Section 25 is vital to all four cases and should be resolved expeditiously.

3. This matter has been continued once already and should not be delayed further because of the importance of this issue to all concerned.

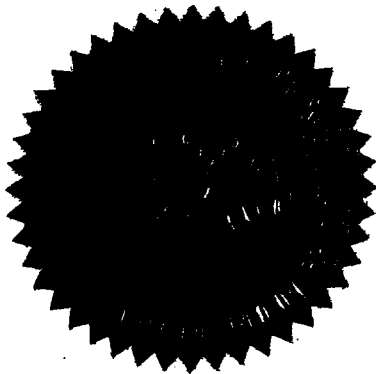
4. Arrington's motion, filed on this date just two business days prior to the hearing, is untimely.

5. Counsel are encouraged to focus their presentations to the Commission during the hearing on March 21, 2002 on the right of each party to drill in Section 25.

IT IS THEREFORE ORDERED:

The motion to vacate of Arrington shall be and hereby is denied.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Lori Wrotenbery".

LORI WROTENBERY
Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Carol Leach
Acting Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 25, 2002

W. Thomas Kellahin
Kellahin and Kellahin
117 North Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

Ernest L. Carroll
Losee, Carson, Haas & Carroll PA
P.O. Box 1720
Artesia, New Mexico 88211-1720

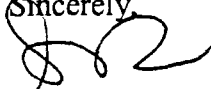
Re: Case No. 12731, *Application of TMBR/Sharp Drilling Inc., de novo*
Case No. 12744, *Application of TMBR/Sharp Drilling Inc., de novo*

Dear Counsel,

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Sincerely,


Stephen C. Ross
Assistant General Counsel

Cc: Florene Davidson, Commission Secretary

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

**IN THE MATTER OF THE HEARING
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CASE NO. 12744

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CONCLUSIONS OF LAW:

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(24) If TMBR/Sharp has better title to the lands in question, it has a fully adequate remedy in the 5th Judicial District Court of Lea County, New Mexico, which is clothed with equitable power to restrain operations authorized by the Arrington APD, or to order Arrington to withdraw the Arrington APDs, if such court determines either such action to be warranted.

(25) Since the Division has jurisdiction to revoke its approval of any APD in an appropriate case, Arrington's Motions to Dismiss TMBR/Sharp's Applications for want of jurisdiction should be denied.

(26) The Application of TMBR/Sharp for an order staying operations under the Arrington APDs until the conclusion of the TMBR/Sharp suit should be denied. However, in the interest of protecting correlative rights, commencement of operations under the Arrington APDs should be stayed for a brief time after issuance of this order to allow TMBR/Sharp to petition the 5th Judicial District Court of Lea County for temporary relief, should it elect to do so.

IT IS THEREFORE ORDERED THAT:

(1) Arrington's Motions to Dismiss TMBR/Sharp's Applications for want of jurisdiction are denied.

(1) TMBR/Sharp's Application appealing the denial of the TMBR/Sharp APDs is denied.

(2) TMBR/Sharp's Application for an order staying approval of the Arrington APDs until final conclusion of the TMBR/Sharp suit is denied.

(3) Approval of the Arrington APDs is hereby suspended for a period of ten (10) days after the date of issuance of this order, to afford TMBR/Sharp an opportunity to petition the 5th Judicial District Court of Lea County, New Mexico for relief in this matter should it elect to do so.

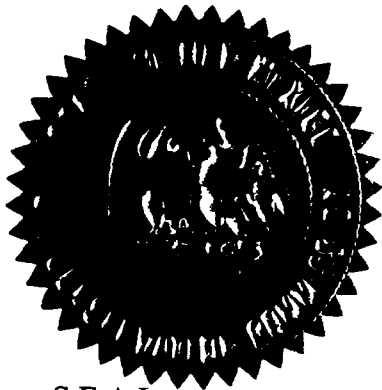
(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case Nos. 12731/12744

Order No. R-11700

Page 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
Director

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

January 8, 2002

HAND DELIVERED

Ms. Lori Wrotenbery, Chair
Oil Conservation Commission
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: REQUEST FOR HEARING DENOVO

Order No. R-11700

NMOCD Case 12731

*Application of TMBR/Sharp Drilling, Inc.
for an order staying David H. Arrington
Oil & Gas, Inc. from commencing
operations, Lea County, New Mexico.*

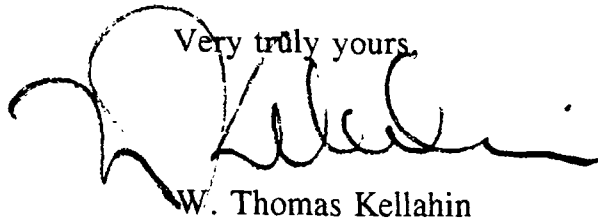
NMOCD Case 12744

*Application of TMBR/Sharp Drilling, Inc.
appealing the Hobbs District Supervisor's
decision denying approval of two applications
for permit to drill filed by TMBR/Sharp
Drilling, Inc., Lea County, New Mexico*

Dear Ms. Wrotenbery:

On behalf of TMBR/Sharp Drilling, Inc., please find enclosed our request for a Hearing DeNovo of the referenced cases before the New Mexico Oil Conservation Commission.

Very truly yours,



W. Thomas Kellahin

cc: Earnest Carroll, Esq.

Attorney for Arrington

cc: TMBR/Sharp

Rick Montgomery, Esq.

02 JAN - 7 PM 3:28

01 OCT 2001 PM

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

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

CASE NO. 12731

**APPLICATION OF TMBR/SHARP DRILLING, INC.
FOR AN ORDER STAYING DAVID H. ARRINGTON
OIL & GAS, INC. FROM COMMENCING OPERATIONS
LEA COUNTY, NEW MEXICO**

CASE NO. 12744

**APPLICATION OF TMBR/SHARP DRILLING, INC.
APPEALING THE HOBBS DISTRICT SUPERVISOR'S
DECISION DENYING APPROVAL OF TWO
APPLICATIONS FOR PERMIT TO DRILL FILED BY
TMBR/SHARP DRILLING, INC.
LEA COUNTY, NEW MEXICO**

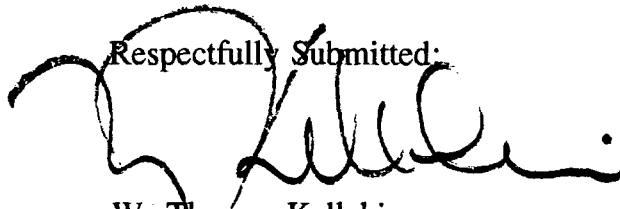
02 JAN - 7 PM 3:28

CLERK OF THE COMMISSION

**TMBR/SHARP DRILLING, INC.'S
REQUEST FOR A DE NOVO HEARING
BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION**

Comes now TMBR/Sharp Drilling, Inc., a party of record before the New Mexico Oil Conservation Division in Cases 12731 and 12744 and adversely affected by Division Order R-11700 entered December 13, 2001, by its attorneys Kellahin & Kellahin and pursuant to NMSA (1978) Section 70-2-13, hereby requests that the New Mexico Oil Conservation Commission hold a HEARING DENOVO in these matters.

Respectfully Submitted:



W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for TMBR/Sharp Drilling, Inc.

CASE 12758: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring Kersey and Company To Bring One (1) Well into Compliance with Rule 201-B, and Assessing Appropriate Civil Penalties, Lea County, New Mexico. The Applicant seeks an order requiring Kersey and Company, the operator of one inactive well located in Lea County, New Mexico, to bring said well into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof. The affected well is as follows:

WELL NAME		
<u>AND NUMBER</u>	<u>API NO.</u>	<u>ULSTR</u>
Hover "I" #001	30-025-00789	A-32-17S-32E

Upon application of Kersey and Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

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

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

**CASE NO. 12758
ORDER NO. R-11712**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF THE DISTRICT I HOBBS OFFICE FOR AN
ORDER REQUIRING OPERATORS TO BRING ONE HUNDRED FORTY-
SEVEN (147) WELLS INTO COMPLIANCE WITH RULE 201.B AND
ASSESSING APPROPRIATE CIVIL PENALTIES, LEA, ROOSEVELT AND
CHAVES COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of January, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) There are fourteen (14) respondents named in this Application. At the hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel. None of the respondents named in the Application appeared, either by filing written appearance or by appearance at the hearing.

(3) The Division seeks an order directing the named respondents to bring certain wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii)

securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203.

(4) The Application alleges that C. W. Stumhoffer is the operator of the Shipman Well No. 1 (API No. 30-025-27882) located in Unit G of Section 35, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(5) However, the Division presented evidence that the Shipman No. 1 has been properly plugged and abandoned, and requested that this case be dismissed as to C. W. Stumhoffer.

(6) The attorney for the Division further represented that the following-named respondents have agreed to bring wells that they operate into compliance in accordance with a work plan approved by the supervisor of the Hobbs District Office. The Division accordingly requested that the Application in this case, as to these operators and the wells operated by them, be severed, assigned a separate case number, and continued until the February 7, 2002 Examiner Docket, in order to allow these operators an opportunity to voluntarily bring their wells into compliance with Division rules. The operators as to whom the Division requested severance and continuance are:

Amtex Energy, Inc.
Bettis, Boyle & Stovall
C. E. Larue & B. M. Muncy, Jr.
Crestridge Drilling and Production Company, LLC
Hal J. Rasmussen Operating, Inc.
John A. Yates, Jr.
Kenson Operating Company, Inc.
Kevin O. Butler & Associates, Inc.
Mallon Oil Company

(7) The Division's request to continue this case to the February 7, 2002 Examiner Docket as to the operators described above should be granted. The case to be heard on February 7, 2002 should be designated Case No. 12758-A.

(8) With respect to Erwin Oil & Gas Ltd. Co., the Division presented testimony that demonstrates:

(a) Erwin Oil & Gas Ltd. Co. is the operator of the State "WEG" Well No. 1 (API No. 30-025-04392) located in Unit H of Section 34, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico;

(b) Erwin Oil & Gas Ltd. Co. has not filed any production reports on the State "WEG" No. 1 since February, 1997;

(c) the Division, on or about May 20, 2000, notified Erwin Oil & Gas Ltd. Co. that the State "WEG" No. 1 was not in compliance with Rule 201.B. By letter dated September 8, 2000, the Division again notified Erwin Oil & Gas Ltd. Co. that the State "WEG" No. 1 was not in compliance, and ordered that it bring the well into compliance with Division rules; and

(d) Erwin Oil & Gas Ltd. Co. has not responded to the Division's letters.

(9) Erwin Oil & Gas Ltd. Co.'s State "WEG" No. 1 is not in compliance with Division Rule 201.B.

(10) Erwin Oil & Gas Ltd. Co. knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) should be assessed against Erwin Oil & Gas Ltd. Co. for this knowing and willful violation.

(11) Erwin Oil & Gas Ltd. Co. should be ordered to bring this well into compliance with Division Rule 201.B.

(12) With respect to Fi-Ro Corporation, the Division presented testimony that demonstrates:

(a) Fi-Ro Corporation is the operator of one (1) well in Lea County, New Mexico, and two (2) wells in Chaves County, New Mexico, described as follows:

Chaves County, New Mexico

Gulf State "H" No. 1 (API No. 30-005-00822) Unit H, Section 23, T-13S, R-31E
Hondo Holloway St. No. 1 (API No. 30-005-00691) Unit F, Section 36, T-12S, R-31E

Lea County, New Mexico

North Caprock Queen Unit 1 Tr. 27 No. 5Y (API No. 30-025-24155) Unit E, Section 8, T-13S, R-32E

(b) neither the Gulf State "H" No. 1 nor the North Caprock Queen Unit 1 Tr. 27 No. 5Y has produced any hydrocarbons since before 1997;

(c) the Hondo Holloway State No. 1 has not produced any hydrocarbons since October, 1998;

(d) Fi-Ro Corporation was notified by the Division by letter dated August 31, 1999 with respect to the Hondo Holloway State No. 1, and by letters dated March 20, 2000, May 20, 2000, June 14, 2000, and September 8, 2000 with respect to all of the above-described wells that the wells were not in compliance, and ordered it to bring these wells into compliance with Division rules; and

(e) Fi-Ro Corporation has not responded to the Division's letters.

(13) Fi-Ro Corporation's above-described wells are not in compliance with Division Rule 201.B.

(14) Fi-Ro Corporation knowingly and willfully failed to comply with Division Rule 201.B for at least two (2) years for the Hondo Holloway State No. 1 and for at least one (1) year for the other two wells. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of four thousand dollars (\$4,000) (\$1,000 per well for each year of non-compliance) should be assessed against Fi-Ro Corporation for this knowing and willful violation.

(15) Fi-Ro Corporation should be ordered to bring the subject wells into compliance with Division Rule 201.B.

(16) With respect to Happy Oil Company, Inc., the Division presented testimony that demonstrates:

(a) Happy Oil Company, Inc. is the operator of the Chilkat State "6" Well No. 1 (API No. 30-025-29725) located in Unit O of Section 6, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico;

(b) the Chilkat State "6" No. 1 has not produced any hydrocarbons since before 1997;

(c) the Division, on or about May 20, 2000, notified Happy Oil Company, Inc. that the Chilkat State "6" No. 1 was not in compliance with Rule 201.B. By letter dated September 8, 2000, the Division again notified Happy Oil

Company, Inc. that the Chilkat State "6" No. 1 was not in compliance, and ordered that it bring the well into compliance with Division rules; and

(d) Happy Oil Company, Inc. has not responded to the Division's letters.

(17) Happy Oil Company, Inc.'s Chilkat State "6" No. 1 is not in compliance with Division Rule 201.B.

(18) Happy Oil Company, Inc. knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) should be assessed against Happy Oil Company, Inc. for this knowing and willful violation.

(19) With respect to Kersey & Co., the Division presented testimony that demonstrates:

(a) Kersey & Co. is the operator of the Hover "1" Well No. 1 (API No. 30-025-00789) located in Unit A of Section 32, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico;

(b) the Hover "1" No. 1 has not produced any hydrocarbons since before 1997;

(c) the Division, on or about May 20, 2000, notified Kersey & Co. that the Hover "1" No. 1 was not in compliance with Rule 201.B. By letter dated September 8, 2000, the Division again notified Kersey & Co. that the Hover "1" No. 1 was not in compliance, and ordered that it bring the well into compliance with Division rules; and

(d) Kersey & Co. has not responded to the Division's letters.

(20) Kersey & Co.'s Hover "1" No. 1 is not in compliance with Division Rule 201.B.

(21) Kersey & Co. knowingly and willfully failed to comply with Division Rule 201.B. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) should be assessed against Kersey & Co. for this knowing and willful violation.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to C. W. Stumhoffer is hereby dismissed.

(2) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Amtex Energy, Inc., Bettis, Boyle & Stovall, C. E. Larue & B. M. Muncy, Jr., Crestridge Drilling and Production Company, LLC, Hal J. Rasmussen Operating, Inc., John A. Yates, Jr., Kenson Operating Company, Inc., Kevin O. Butler & Associates, Inc. and Mallon Oil Company, is hereby severed from Case No. 12758. The severed case is hereby denominated Case No. 12758-A. The Division administrator is directed to open a case file for the severed Case No. 12758-A, and to place therein true copies of the Application and Notice filed in this Case No. 12758.

(3) Case No. 12758-A is continued, and set for hearing before the Division on February 7, 2002.

(4) This order is entered in Case No. 12758 only.

(5) Pursuant to the Application of the Division, Erwin Oil & Gas Ltd. Co., Fi-Ro Corporation, Happy Oil Company, Inc. and Kersey & Co. are hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring each of their wells herein identified into compliance with Division Rule 201.B by accomplishing one of the following with respect to each well:

(a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division- approved plugging program; or

(b) restoring the well to production if the well is an oil or gas well and capable of production; or

(c) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

(6) As to any wells that the operators fail to bring into compliance within the time period prescribed by this order, the supervisor of the Hobbs District Office and Division counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operators or by the Division, and to forfeit the financial assurance, if any, provided by such operators pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, or take other action as appropriate.

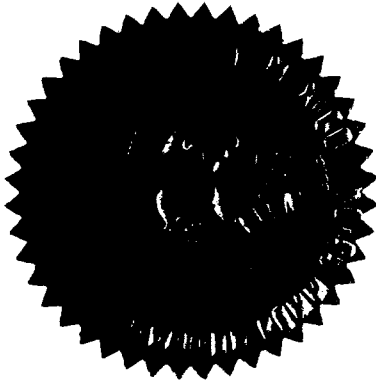
(7) Administrative penalties are hereby assessed against each of the following operators for knowingly and willfully failing to bring their wells into compliance after receiving notice from the Division to do so. The amounts assessed are as follows:

Erwin Oil & Gas Ltd. Co.	\$1,000
Fi-Ro Corporation	\$4,000
Happy Oil Company, Inc.	\$1,000
Kersey & Co.	\$1,000

(8) The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrotenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87504, unless within such time application is filed by the operator for *de novo* review by the New Mexico Oil Conservation Commission of the penalty assessed against it.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

S E A L

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	ULSTR	OCD PROD UL YEAR MTH	GAS	OIL	WATER	INJ
12576 KERSEY & CO	HOVER #001	30-025-00789	A-32-17S-32E	A				
				1997 1				
				1997 2				
				1997 3				
				2000 11				
				2001 1				
				2001 2				
				2001 3				
				2001 4				
				2001 5				
				2001 6				
				2001 7				
				2001 8				
				2001 9				
				2001 10				
				2001 11				
				2001 12				
				2002 1				

30-025-00789

BEFORE THE
OIL CONSERVATION COMMISSION
Sarasota, Florida

Case No. 12758 Exhibit No. 1
Submitted by OCO
Hearing Date 3/28/02

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

AFFIDAVIT OF NOTICE

Before me, the undersigned authority, on this day personally appeared DAVID K. BROOKS, well known to me to be a credible person, and after being duly sworn, did solemnly declare upon his oath as follows:

"My name is David K. Brooks. I am employed by the Energy, Minerals and Natural Resources Department of the State of New Mexico as Assistant General Counsel.

"I am attorney of record for the New Mexico Oil Conservation Division, as Applicant, in Case No. 12758, Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring One Hundred Forty-Seven (147) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Lea, Roosevelt and Chaves Counties, New Mexico.

"On October 11, 2001, I prepared a letter to all of the operators named as respondents in the Application filed in Case No. 12758. Attachment A to this Affidavit is a true copy of the letter that I prepared. I then caused a copy of Attachment A to be mailed to each of the operators named on the second page of Attachment A, by Certified Mail, Return Receipt Requested. A copy of the Application filed with the Division is Case No. 12758 was enclosed with each letter.

"A copy of the notification letter (Attachment A) was sent to Erwin Oil & Gas Ltd. Co. by Certified Mail, Return Receipt Requested, and received by Erwin Oil & Gas, Ltd. Co., as evidenced by receipt for certified mail and postal return receipt true copies whereof are attached hereto as Attachment B.

"A copy of the notification letter (Attachment A) was sent to Fi-Ro Corp. by Certified Mail, Return Receipt Requested, as evidenced by receipt for certified mail a true copy whereof is attached hereto as Attachment C. Such notification letter was not returned to the Division, nor has a return receipt been received by the Division as of this date.

"A copy of the notification letter (Attachment A) was sent to by Certified Mail, Return Receipt Requested, and received by Happy Oil Co. Inc., as evidenced by receipt for certified mail and postal return receipt true copies whereof are attached hereto as Attachment D.

"A copy of the notification letter (Attachment A) was sent to by Certified Mail, Return Receipt Requested, and received by Kersey & Co., as evidenced by receipt for certified mail and postal return receipt true copies whereof are attached hereto as Attachment E.

BEFORE THE	
OIL CONSERVATION DIVISION	
STATE OF NEW MEXICO	
CASE NO. 12758	EXHIBIT NO. 2
BY: OCD	
DATE: 3/26/02	

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 2
CASE NO. 12758	

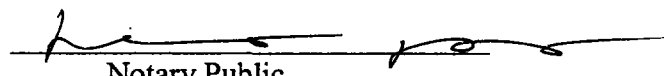
"Personnel of the Division acting under my direction caused notice of the hearing scheduled for November 1, 2001 in this Case No. 12758 to be published in the Lovington Daily Leader, a newspaper of general circulation in Lea County, New Mexico, on October 17, 2001. A true copy of the notice published in the Lovington Daily Leader is attached hereto as Attachment F."

"Personnel of the Division acting under my direction caused notice of the hearing scheduled for November 1, 2001 in this Case No. 12758 to be published in the Roswell Daily Record, a newspaper of general circulation in Chaves County, New Mexico, on October 17, 2001. A true copy of the notice published in the Roswell Daily Record is attached hereto as Attachment G."

Further Affiant sayeth not.


David K. Brooks

Subscribed and sworn to in the City of Santa Fe, County of Santa Fe, State of New Mexico, this 18th day of October, 2001. Witness my hand and seal of office.


Notary Public
State of New Mexico

[SEAL]

My commission expires 2/15, 2003



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

October 11, 2001

Lori Wrotenbery
Director
Oil Conservation Division

ADDRESS LIST

VIA: CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Re: Case No. 12758: Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring One Hundred Forty-Seven (147) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Lea, Roosevelt and Chaves Counties, New Mexico.

Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the referenced Application, a copy of which is enclosed herewith, seeking an Order requiring you to bring specified inactive wells in Lea, Roosevelt and Chaves Counties, New Mexico into compliance with Division Rule 201.B, by either restoring such wells to production or beneficial use, permanently abandoning or temporarily abandoning them. In addition, the Division seeks assessment of civil penalties for your failure to comply with previous administrative notices to bring these wells into compliance.

A hearing on this Application will take place before a Division hearing officer on Thursday, November 1, 2001, at 8:15 a.m., in the Division Hearing Room, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause, if any there be, why an order should not be entered as requested in the Application.

Operational inquiries concerning the subject of this hearing should be directed to Mr. Chris Williams, District Supervisor, Oil Conservation Division, 1625 French Drive, Hobbs, NM 88240; phone (505)-393-6161. Counsel may contact the undersigned in the Santa Fe office at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

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

7000 0520 0021 3771 6531

Postage \$		
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees \$		
Recipient's Name (Please Print Clearly) (To be completed by mailer) Kersey & Co.		
Street, Apt. No.; or PO Box No. PO Box 1248		
City, State, ZIP+ 4 Fredericksburg, TX 78624		
PS Form 3800, February 2000 See Reverse for Instructions		

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Kersey & Co.
 PO Box 1248
 Fredericksburg, TX 78624

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
 10-15-01

C. Signature
 X *McKersey* ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label) 7000 0520 0021 3771 6531

Attachment E



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

RY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

September 8, 2000

12576
KERSEY & CO
PO BOX 1248
FREDERICKSBURG, TX 78624

OIL CONSERVATION DIVISION	
Santa Fe, New Mexico	
Case No.	12758 Exhibit No. 3
Submitted by	OCD
Hearing Date	9/26/02

Re: Current Status of Oil and Gas Wells

In May of this year, the Oil Conservation Division ("Division") sent a letter to you setting forth the Division's information on wells for which you are the operator of record. The letter requested a response with additional information. The Division has had no response to the letter. The Division presumes you agree with the information in the letter regarding your inactive wells.

The wells have not shown production or been reported on Form C-115 for more than one year. The wells are not in compliance with the Division's rules and the New Mexico Oil and Gas Act.

You are hereby directed to bring these wells into compliance within 60 days. In the alternative, within 30 days you may submit a compliance plan including a schedule of activities with dates.

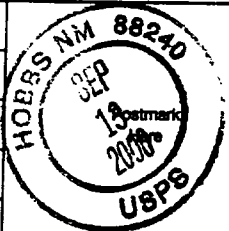
Sincerely,

Chris Williams
District Supervisor

BEFORE SIGNATURE TESTAMON	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 9
CASE NO. 12758	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY										
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<table style="width: 100%;"> <tr> <td style="width: 50%;">A. Received by (Please Print Clearly)</td> <td style="width: 50%;">B. Date of Delivery 9-18-2000</td> </tr> <tr> <td colspan="2">C. Signature X Mc Kersey</td> </tr> <tr> <td colspan="2"> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee </td> </tr> <tr> <td colspan="2"> D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No </td> </tr> </table>	A. Received by (Please Print Clearly)	B. Date of Delivery 9-18-2000	C. Signature X Mc Kersey		<input type="checkbox"/> Agent <input type="checkbox"/> Addressee		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No			
A. Received by (Please Print Clearly)	B. Date of Delivery 9-18-2000										
C. Signature X Mc Kersey											
<input type="checkbox"/> Agent <input type="checkbox"/> Addressee											
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No											
1. Article Addressed to: 12576 KERSEY & CO PO BOX 1248 FREDERICKSBURG, TX 78624	<table style="width: 100%;"> <tr> <td colspan="2">Service Type</td> </tr> <tr> <td><input checked="" type="checkbox"/> Certified Mail</td> <td><input type="checkbox"/> Express Mail</td> </tr> <tr> <td><input type="checkbox"/> Registered</td> <td><input checked="" type="checkbox"/> Return Receipt for Merchandise</td> </tr> <tr> <td><input type="checkbox"/> Insured Mail</td> <td><input type="checkbox"/> C.O.D.</td> </tr> <tr> <td colspan="2">4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</td> </tr> </table>	Service Type		<input checked="" type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail	<input type="checkbox"/> Registered	<input checked="" type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
Service Type											
<input checked="" type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail										
<input type="checkbox"/> Registered	<input checked="" type="checkbox"/> Return Receipt for Merchandise										
<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.										
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes											
2. Article Number (Copy from service label) 7099 3220 0002 3944 1601											
PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952											

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

Article Sent To: KERSEY & Co											
<table style="width: 100%;"> <tr> <td style="width: 30%;">Postage</td> <td style="width: 70%; text-align: right;">\$.33</td> </tr> <tr> <td>Certified Fee</td> <td style="text-align: right;">1.40</td> </tr> <tr> <td>Return Receipt Fee (Endorsement Required)</td> <td style="text-align: right;">1.25</td> </tr> <tr> <td>Restricted Delivery Fee (Endorsement Required)</td> <td></td> </tr> <tr> <td>Total Postage & Fees</td> <td style="text-align: right;">\$ 2.98</td> </tr> </table>	Postage	\$.33	Certified Fee	1.40	Return Receipt Fee (Endorsement Required)	1.25	Restricted Delivery Fee (Endorsement Required)		Total Postage & Fees	\$ 2.98	
Postage	\$.33										
Certified Fee	1.40										
Return Receipt Fee (Endorsement Required)	1.25										
Restricted Delivery Fee (Endorsement Required)											
Total Postage & Fees	\$ 2.98										
Name (Please Print Clearly) (To be completed by mailer) HOBS NM 88240 DIVISION											
Street, Apt. No., or PO Box No. 1025 N. FRENCH DRIVE											
City, State, ZIP+4 HOBS NM 88240											
PS Form 3800, July 1999 See Reverse for Instructions											

OIL CONSERVATION DIVISION

RICT I
Box 1980, Hobbs, NM 88240

RICT II
Drawer DD, Artesia, NM 88210

RICT III
Rio Brazos Rd., Aztec, NM 87410

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

91 DEC 23 AM 10 02

WELL API NO.

5. Indicate Type of Lease

STATE ☒

FEE ☐

6. State Oil & Gas Lease No.

B-4109

7. Lease Name or Unit Agreement Name

HOVER STATE

8. Well No.

1A

9. Pool name or Wildcat

Maljamar Gryburg San Andres

SUNDRY NOTICES AND REPORTS ON WELLS

DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"
(FORM C-101) FOR SUCH PROPOSALS.)

Type of Well:

OIL WELL ☒ GAS WELL ☐ OTHER ☐

Name of Operator

KERSEY AND COMPANY

Address of Operator

808 Grand, Artesia, NM 88210

Well Location

Unit Letter A : 660 Feet From The North Line and 660 Feet From The East Line

Section 32 Township 17S Range 32E NMPM LEA County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

FORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

PORARILY ABANDON ☒ CHANGE PLANS ☐

L OR ALTER CASING ☐

IER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Due to casing problems, we have temporarily abandoned this well
effective November 1, 1991. Will report later when remedial work
is scheduled.

IGNORE THE
OIL CONSERVATION DIVISION

Serial No. 12758 4

Submitted by OCD

Filed on Date 3/26/02

T.A. approved for 6 mo

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

SIGNATURE David Leroy TITLE Operator/partner DATE 12-1-91

TYPE OR PRINT NAME

TELEPHONE NO.

(This space for State Use)

APPROVED BY [Signature] TITLE DISTRICT 1 SUPERVISOR DATE DEC 19 1991

CONDITIONS OF APPROVAL, IF ANY:

Submit 3 Copies To Appropriate District
Office
District I
125 N. French Dr., Hobbs, NM 88240
District II
11 South First, Artesia, NM 88210
District III
100 Rio Brazos Rd., Aztec, NM 87410
District IV
220 S. St. Francis Dr., Santa Fe, NM
7505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-025-00789
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. B-4109
7. Lease Name or Unit Agreement Name: Hover State "B"
8. Well No. #1
9. Pool name or Wildcat Maljamar G.G.S.A.
10. Elevation (Show whether DR, RKB, RT, GR, etc.)

SUNDRY NOTICES AND REPORTS ON WELLS
DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)
1. Type of Well:
Oil Well ☒ Gas Well ☐ Other ☐
2. Name of Operator
Kersey & Company
3. Address of Operator
P.O. Box 1248 Fredericksburg TX. 78624
4. Well Location

Unit Letter **A** : **660** feet from the **N** line and **660** feet from the **E** line
Section **32** Township **17S** Range **32E** NMPM **Lea** County

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☒ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Plan to run 2 3/8" tubing, pump and rods, set pump-jack. Will test well, if production can not be re-established, then will submit plugging procedure and plug well.
Will start when equipment and well service unit can be obtained, if possible by Dec. 31, 2001.

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

SIGNATURE **Kenneth R Wade** TITLE **manager** DATE **12-03-01**

Type or print name **Kenneth R Wade**
(This space for State use)

APPROVED BY **[Signature]** TITLE **PETROLEUM ENGINEER** DATE **5**

Conditions of approval, if any:

830
Telephone No. **997-7500**
12758
OCD
3/4/02

mit 3 Copies To Appropriate District
ce
rict I
5 N. French Dr., Hobbs, NM 88240
rict II
South First, Artesia, NM 88210
rict III
0 Rio Brazos Rd., Aztec, NM 87410
rict IV
0 S. St. Francis Dr., Santa Fe, NM
05

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

30-025-00789

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

B04109

7. Lease Name or Unit Agreement Name:

Hover

8. Well No.

1

9. Pool name or Wildcat

Malpamar GB, 5A

SUNDRY NOTICES AND REPORTS ON WELLS

DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

Type of Well:

Oil Well ☒ Gas Well ☐ Other

Name of Operator

Kersey & Company

Address of Operator

P.O. Box 1248 Fredericksburg TX 78624

Well Location

Unit Letter A : 660 feet from the North line and 660 feet from the East line

Section 32 Township 17S Range 32E NMPM Lea County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: Return to production ☒

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Jan 11, 2002 Rigged up well service unit and ran 2 3/8" tubing to T.D.,
Swabbed well, had some oil show with water.

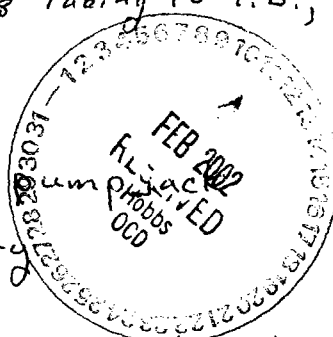
Jan 12, 2002 Ran pump and rods

Jan 25, 2002 Installed electric service and set

Jan 28, 2002 Layed poly flowline to tank Battery

Jan 29, 2002 Returned well to production.

Jan 30, 2002 Tested well, made 5 barrels oil and 60 barrels water



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

SIGNATURE Kenneth R Wade TITLE manager

DATE 02-04-02

Type or print name Kenneth R Wade

Telephone No. 830 997-7579

(This space for State use)

APPROVED BY Chris Williams

OCDISTRICT SUPERVISOR/GENERAL MANAGER

DATE FEB 12 2002

Conditions of approval, if any:

OCD

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-104
Revised March 25, 1999

Submit to Appropriate District Office
5 Copies

☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator name and Address Kersey & Company P.O. Box 1248 Fredericksburg, Tx 78624		OGRID Number 12576
Reason for Filing Code Return well to production		
API Number 30-025-00789	Pool Name Ma/Jamar G.B. S.A.	Pool Code 43320
Property Code 16202	Property Name Hoyer	Well Number 1

II. ¹⁰ Surface Location

UL or lot no. A	Section 32	Township 17S	Range 32E	Lot Idn	Feet from the 660	North/South Line	Feet from the 660	East/West line	County Lea
--------------------	---------------	-----------------	--------------	---------	----------------------	------------------	----------------------	----------------	---------------

¹¹ Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lse Code	Producing Method Code	Gas Connection Date	C-129 Permit Number	C-129 Effective Date	C-129 Expiration Date				

III. Oil and Gas Transporters

Transporter OGRID	Transporter Name and Address	POD	O/G	POD ULSTR Location and Description
015694	Navajo Refining	1137310	O	A-32-175-32E
005097	Conoco	1137330	G	A-32-175-32E

IV. Produced Water

POD 1137350	POD ULSTR Location and Description B-32-175-32E
----------------	--

V. Well Completion Data

Spud Date	Ready Date	TD	PBTD	Perforations	DHC, MC
Hole Size	Casing & Tubing Size	Depth Set	Sacks Cement		

VI. Well Test Data

Date New Oil	Gas Delivery Date	Test Date 01-30-02	Test Length 24 hrs	Tbg. Pressure	Csg. Pressure
Choke Size	Oil 566ls	Water 6066ls	Gas 0	AOP	Test Method P

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. Signature: <u>Kenneth R Wade</u> Printed name: <u>Kenneth R Wade</u> Title: <u>Manager</u> Date: <u>02-04-02</u> Phone: <u>830 997-7519</u>		OIL CONSERVATION DIVISION Approved by: <u>Chris Williams</u> Title: <u>OC DISTRICT SUPERVISOR/GENERAL MANAGER</u> Approval Date: <u>FEB 12 2002</u>	
If this is a change of operator fill in the OGRID number and name of the previous operator			
Previous Operator Signature	Printed Name	Title	Date

OIL CONSERVATION DIVISION	Stamp No. <u>7</u>
Stamp No. <u>12758</u>	Stamp No. <u>000</u>
Stamp No. <u>3/26/02</u>	

I'm very sleepy now!



Gene Wilson
William Weiss //

David Brooks, A Texan?
C-115

Agarwal
1992

Agarwal, Jim Wilson

Patricia_Hester@nm.blm.gov

Who did the study? CPerkins@state.nm.us

Did you pay Gene Wilson & William Weiss? How much

When?

Is that

I used this transcripts. 12739

Can you mail it to me ?

Robert Lee

KERSEY AND COMPANY

P.O. Box 1248

Fredericksburg, TX 78624

830-997-7519

February 12, 2002

Mr. David K. Brooks
Assistant General Counsel
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Ref: OCD Case No. 12758

Dear Mr. Brooks,

As per our telephone conversation on February 12, 2002, I am submitting five copies of evidence previously submitted, documenting return to production of Hover State Well #1.

This filing is to request "de novo" review by the New Mexico Oil Conservation Commission.

Sincerely,



Kenneth R. Wade
Production Manager
Kersey & Company

KERSEY AND COMPANY

**P.O. Box 1248
Fredericksburg, TX 78624
830-997-7519**

February 6, 2002

Mr. David K. Brooks
Assistant General Counsel
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Ref: OCD Case No. 12758

Dear Mr. Brooks;

I take exception to the \$1,000.00 fine imposed on our company by the New Mexico Oil Conservation Division (letter dated January 16,2002.)

The referenced well, Hover #1, posed no environmental hazard, thus we saw no urgency for action, although we were not opposed to doing some work on it and returning it to production. We had shut the well in, because in 1994 the pumping unit had become inoperable. Because the well was producing a low oil to water ratio and we didn't feel that it was worth the investment of replacing the pumping unit and the old string of tubing.

For some reason, effective 12-07-94 the well was listed as plugged and abandoned (see attachment "A" dated 7-06-01). Since your department was obviously confused and we saw no particular need and no real economic advantage to returning this well to active status, no action was taken. The status was then changed and made effective 01-01-94 (before date of the P & A status) see attachment "B" dated 9-24-01.

We did not appear at the hearing on Nov. 1,2001 because we were in agreement to take some action. We decided to return the well to production and on 12-03-01 filed a C-103 with the Hobbs office (see attachment "C"). Work was started on January 11, 2002 and completed on January 28, 2002, and the well is back in production (see attachment "D").

Although I am not interested in traveling to Santa Fe for a hearing, I would request that this letter and evidence be presented for "de novo" of this case. I await your reply.

Sincerely,

Kenneth R. Wade
Kersey & Company

OG4543R02

OGARD
PRODUCTION UNIT NUMBER (PUN)/STATE LEASE: UPDATE

07/06/01
08:06 AM
PAGE 1

PUNUPDT

NOTICE 4543-2

EVENT CAUSING AN UPDATE : WC P&A

PRODUCTION UNIT NUMBER(PUN) : 1155851 ORIGINAL EFFECTIVE DATE: 12/07/1994

PUN CURRENT STATUS : De-Activated
PUN TYPE : REGULAR LEASE

POOL : 43320 MALJAMAR GB SA (DO NOT USE)
(PREVIOUS) : 43320 MALJAMAR GB SA (DO NOT USE)
PROPERTY NAME :
(PREVIOUS) : 16202 HOVER 1
PUN MASTER OPERATOR : 12576 KERSEY & CO
(PREVIOUS) : 12576 KERSEY & CO
OCD OPERATOR : 12576 KERSEY & CO
(PREVIOUS) : 12576 KERSEY & CO
COMMUNITIZATION AGREEMENT :
UNITIZATION AGREEMENT :

PUN STATE LEASE CROSS REFERENCE LIST:

PUN	BASE LEASE	ASSG#	CROSS REF	LEASE	ROYALTY PARTICIPATION	ROYALTY BENEFICIARY	ASSIGNED	ACRES
			EFFECTIVE	DATE	RATE PERCENTAGE		FROM LEASE	ASSIGNED
1155851	BO 4109	0019	11/29/1994	12.50000	100.00000000	Common Schools		

WELL COMPLETION LIST

WELL API NUMBER	ULSTR/LOT	CURRENT WC STATUS	WC	ASSIGNMENT	PREVIOUS	PROPERTY NAME
			EFFECTIVE	EFFECTIVE	PUN	
			DATE	DATE		
30025-00789	A 32 17S 32E	Plugged and Abandon	12/07/1994	12/07/1994		

**** END OF REPORT ****

OG3851R02
OG38PUNN
PUNUPDT
NOTICE 3851-2

PRODUCTION UNIT NUMBER (PUN)/PUN SUFFIX UPDATE

ONGARD

O4/18/O1
O4:36 PM
PAGE 1

EVENT CAUSING AN UPDATE : WC P&A

PRODUCTION UNIT NUMBER(PUN)
PUN CURRENT STATUS : 115851
PUN TYPE : De-Activated
REGULAR LEASE

POOL : 43320 MALJAMAR GB SA (DO NOT USE)
PROPERTY NAME : 16202 HOVER 1
PUN MASTER OPERATOR : 12576 KERSEY & CO
OCD OPERATOR : 12576 KERSEY & CO
COMMUNITIZATION AGREEMENT
UNITIZATION AGREEMENT
BLM AGREEMENT TYPE & NUMBER :

PUN SUFFIX LIST:

PUN	SUFFIX	LAND TYPE	COUNTY	SCHOOL DISTRICT	MUNICIPALITY	AD VALOREM TAX RATE	API NUMBER	ACRES	ALLOCATION PERCENT
115851	S2510	State Ownership	Lea	01	No Municipality	0.025770	30-025-00789	40.00	100.00

WELL COMPLETION LIST

API NUMBER	ULSTR/LOT	CURRENT WC STATUS	WC EFFECTIVE DATE
30-025-00789	A 32 17S 32E	Plugged and Abandon	12/07/1994

**** END OF REPORT ****

OG3851RO1
OG38BPUNN
NEW-PUN
NOTICE 3851-1

ONGARD
PRODUCTION UNIT NUMBER (PUN) ASSIGNMENT

09/24/01
04:44 PM
PAGE 1

WELL API NUMBER : 30- 25- 789 ULSTR/LOT: A 32 17S 32E
POOL : 43329 MALJAMAR: GRAYBURG-SAN ANDRES
PROPERTY NAME : 16202 HOVER 1
PUN MASTER OPERATOR : 12576 KERSEY & CO
OCD OPERATOR : 12576 KERSEY & CO
COMMUNITIZATION AGREEMENT :
UNITIZATION AGREEMENT :
BLM AGREEMENT TYPE & NUMBER :

PRODUCTION UNIT NUMBER(PUN) : 1216196 PUN EFFECTIVE DATE: 11/29/1994 (NEW PUN)
PUN TYPE : REGULAR LEASE

PUN SUFFIX LIST:

PUN	SUFFIX	LAND TYPE	COUNTY	SCHOOL DISTRICT	MUNICIPALITY	AD VALOREM TAX RATE	API NUMBER	ALLOCATION ACRES PERCENT
1216196	S2510	State Ownership	Lea	01	No Municipality	0.025770	30-025-00789	40.00 100.00

NOTE: NO SUFFIX ALLOCATIONS ARE DEFINED WHEN THE WELLS ARE SUPPORTED BY A
UNITIZATION AGREEMENT. SUFFIXES ARE ESTABLISHED BASED ON THE UNIT BOUNDARIES AND
NOT ON THE WELL COMPLETION'S DEDICATED ACREAGE.

WELL COMPLETION LIST

API NUMBER	ULSTR/LOT	WC	CURRENT WC STATUS	EFFECTIVE DATE
30-025-00789	A 32 17S 32E	Active		01/01/1994

**** END OF REPORT ****

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-00789
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Kersey + Company		6. State Oil & Gas Lease No. B-4109
3. Address of Operator P.O. Box 1248 Fredericksburg TX. 78624		7. Lease Name or Unit Agreement Name: Hover State "B"
4. Well Location Unit Letter A : 660 feet from the N line and 660 feet from the E line Section 32 Township 17S Range 32E NMPM Lea County		8. Well No. #1
10. Elevation (Show whether DR, RKB, RT, GR, etc.)		9. Pool name or Wildcat Maljamar G.G.S.A.

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input checked="" type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

Plan to run 2 3/8" tubing, pump and rods, set pump-jack. Will test well, if production can not be re-established, then will submit plugging procedure and plug well.
Will start when equipment and well service unit can be obtained, if possible by Dec. 31, 2001.

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

SIGNATURE Kenneth R Wade TITLE manager DATE 12-03-01
Type or print name Kenneth R Wade Telephone No. 830 997-7519
(This space for State use)

APPROVED BY _____ TITLE _____ DATE 12 2001
Conditions of approval, if any:

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

30-025-00784

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

B04109

7. Lease Name or Unit Agreement Name:

Hover

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well:

Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Kersey & Company

3. Address of Operator

P.O. Box 1248 Fredericksburg TX 78624 Maljamar GB, SA

4. Well Location

Unit Letter A : 660 feet from the North line and 660 feet from the East line

Section 32 Township 17S Range 32E NMPM Lea County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: Return to production ☒

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Jan 11, 2002 Rigged up well service unit and ran 2 3/8" tubing to T.D.,
Swabbed well, had some oil show with water.

Jan 12, 2002 Ran pump and rods

Jan 25, 2002 Installed electric service and set pumpjack

Jan 28, 2002 Layed poly flowline to tank Battery

Jan 29, 2002 Returned well to production.

Jan 30, 2002 Tested well, made 5 barrels oil and 60 barrels water

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

SIGNATURE

Kenneth R Wade

TITLE manager

DATE 02-04-02

Type or print name

Kenneth R Wade

Telephone No. 830 997-7579

(This space for State use)

APPROVED BY

TITLE

DATE

Conditions of approval, if any:

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-104
Revised March 25, 1999

Submit to Appropriate District Office
5 Copies

☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address Kersey + Company P.O. Box 1248 Fredericksburg, Tx 78624		¹ OGRID Number 12576
		¹ Reason for Filing Code Return well to production
¹ API Number 30-025-00789	¹ Pool Name Mujamar G.B. S.A.	¹ Pool Code 43320
¹ Property Code 16202	¹ Property Name Hoyer	¹ Well Number 1

II. ¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
A	32	175	32E		660		660		Lea

¹¹Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Lse Code	¹³ Producing Method Code	¹⁴ Gas Connection Date	¹⁵ C-129 Permit Number	¹⁶ C-129 Effective Date	¹⁷ C-129 Expiration Date				

III. Oil and Gas Transporters

¹⁸ Transporter OGRID	¹⁹ Transporter Name and Address	²⁰ POD	²¹ O/G	²² POD ULSTR Location and Description
015694	Navajo Refining	1137310	O	A-32-175-32E
005097	Conoco	1137330	G	A-32-175-32E

IV. Produced Water

²³ POD	²⁴ POD ULSTR Location and Description
1137350	B-32-175-32E

V. Well Completion Data

²⁵ Spud Date	²⁶ Ready Date	²⁷ TD	²⁸ PBTD	²⁹ Perforations	³⁰ DHC, MC
³¹ Hole Size	³² Casing & Tubing Size	³³ Depth Set	³⁴ Sacks Cement		

VI. Well Test Data

³⁵ Date of Test	³⁶ Gas Delivery Date	³⁷ Test Date	³⁸ Test Length	³⁹ Tbg. Pressure	⁴⁰ Csg. Pressure
		01-30-02	24 hrs		
⁴¹ Choke Size	⁴² Oil	⁴³ Water	⁴⁴ Gas	⁴⁵ AOP	⁴⁶ Test Method
	566ls	6066ls	0		P

⁴⁷I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: Kenneth R. Wade
Printed name: Kenneth R. Wade
Title: Manager
Date: 02-04-02 Phone: 830 997-7519

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

⁴⁸If this is a change of operator fill in the OGRID number and name of the previous operator

Previous Operator Signature	Printed Name	Title	Date

CASE 12733: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring General Minerals Corporation To Bring One (1) Well into Compliance with Rule 201.B and Assessing Appropriate Civil Penalties, Eddy County, New Mexico. The Applicant seeks an order requiring General Minerals Corporation, the operator of one inactive well located in Eddy County, New Mexico, to bring said well into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof. The affected well is as follows:

Well	API No.	Twsp	Range	Sec	Unit
Fed "CCC" #1	30-015-25477	16S	31E	4	K

Upon application of General Minerals Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

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

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

**CASE NO. 12733
ORDER NO. R-11710**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF THE DISTRICT II ARTESIA OFFICE FOR
AN ORDER REQUIRING OPERATORS TO BRING NINETY-EIGHT (98)
WELLS INTO COMPLIANCE WITH RULE 201.B AND ASSESSING
APPROPRIATE CIVIL PENALTIES; EDDY AND CHAVES COUNTIES, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 4, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of January, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) There are twenty (20) respondents named in this Application. At the hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel, and Respondents ExxonMobil Corporation ("ExxonMobil"), The Wiser Oil Company ("Wiser") and Julian Ard appeared through counsel. The remaining respondents named in the Application did not appear, either by filing written appearance or by appearance at the hearing.

(3) The Division seeks an order directing the named respondents to bring certain wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii)

securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203.

(4) The Application alleges that Roy E. Kimsey, Jr. is the operator of the Flyer Well No. 1 (API No. 30-015-24360) located in Unit F of Section 27, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(5) However, the attorney for the Division represented that the Flyer Well No. 1 has been restored to production, and requested that this case be dismissed as to Roy E. Kimsey, Jr.

(6) The Application alleges that Stevens Operating Corp. is the operator of the following wells in Chaves County, New Mexico, and that said wells are inactive and not in compliance with Division Rule 201.B:

O'Brien "C" Well No. 1 (API No. 30-005-10188) Unit M, Section 1, T-9S, R-28E
O'Brien "C" Well No. 4 (API No. 30-005-60330) Unit L, Section 1, T-9S, R-28E
O'Brien "DQ" Well No. 1 (API No. 30-005-60731) Unit D, Section 30, T-7S, R-29E
O'Brien "DQ" Well No. 2 (API No. 30-005-61017) Unit N, Section 30, T-7S, R-29E
O'Brien "EA" Well No. 1 (API No. 30-005-62240) Unit F, Section 33, T-7S, R-29E
West White Ranch Well No. 2 (API No. 30-005-10094) Unit H, Section 1, T-12S, R-28E

(7) However, the attorney for the Division represented that Stevens Operating Corp. is in bankruptcy, and requested that this case be dismissed as to Stevens Operating Corp.

(8) The attorney for the Division further represented that the following named respondents have agreed to bring the wells that they operate into compliance in accordance with a work plan approved by the supervisor of the Artesia District Office. The Division accordingly requested that the Application in this case, as to these operators and the wells operated by them, be severed, assigned a separate case number, and continued until the January 10, 2002 Examiner Docket, in order to allow these operators an opportunity to voluntarily bring their wells into compliance with Division rules. The operators as to whom the Division requested severance and continuance are:

Aceco Petroleum Company
Amtex Energy, Inc.
Bird Creek Resources, Inc.
Burnett Oil Co.
Dinero Operating Company

Lindenmuth & Associates, Inc.
Mar Oil & Gas Corp.
NGX Company
Read & Stevens, Inc.

(9) The Division's request to continue this case to the January 10, 2002 Examiner Docket as to the operators described above should be granted. The case to be heard on January 10, 2002 should be designated Case No. 12733-A.

(10) With respect to Carl Schellinger, the Division presented testimony that demonstrates:

(a) Carl Schellinger is the operator of two (2) wells in Eddy County, New Mexico, identified as follows:

Mahun State Well No. 1 (API No. 30-015-20138) Unit F, Section 16, T-22S, R-22E
Exxon Federal Well No. 1 (API No. 30-015-22407) Unit M, Section 29, T-16S, R-29E

(b) the Mahun State Well No. 1 has not produced any hydrocarbons since before 1997;

(c) the Division has, on several occasions, beginning in February, 1997, notified Carl Schellinger that the Mahun State Well No. 1 was not in compliance with Rule 201.B, and demanded that Carl Schellinger bring this well into compliance; and

(d) the Exxon Federal Well No. 1 is a gas well, but has not produced any gas or other hydrocarbons since January, 2000.

(11) Carl Schellinger's Mahun State Well No. 1 and Exxon Federal Well No. 1 are not in compliance with Division Rule 201.B.

(12) With regards to the Mahun State Well No. 1, Carl Schellinger knowingly and willfully failed to comply with OCD Rule 201.B for at least four (4) years. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of four thousand dollars (\$4,000) (\$1,000 for each year of non-compliance) should be assessed against Carl Schellinger for this knowing and willful violation. With regards to the Exxon Federal Well No. 1, no civil penalty should be assessed.

(13) Carl Shellinger should be ordered to bring these wells into compliance with Division Rule 201.B.

(14) With respect to ExxonMobil, the Division presented testimony that demonstrates:

(a) ExxonMobil is the operator of three (3) wells in Eddy County, New Mexico, identified as follows:

Avalon Delaware Unit Well No. 364 (API No. 30-015-24770) Unit P, Section 25, T-20S, R-27E

Avalon Delaware Unit Well No. 562 (API No. 30-015-24377) Unit O, Section 31, T-20S, R-28E

Avalon Delaware Unit Well No. 916 (API No. 30-015-24687) Unit A, Section 6, T-21S, R-27E

(b) ExxonMobil has not reported production from or injection into any of the above-identified wells since before 1997; and

(c) the Division has notified ExxonMobil that the above-identified wells were not in compliance with Rule 201.B, and demanded that ExxonMobil bring these wells into compliance.

(15) ExxonMobil presented testimony that:

(a) the above-identified wells are water source wells for the Avalon Delaware Unit, which is currently an active waterflood project;

(b) all of the above-identified wells are currently producing water that is used for secondary recovery purposes in the Avalon Delaware Unit; and

(c) the Avalon Delaware Unit Wells No. 562 and 916 are each capable of producing, and in fact do produce, small volumes of oil.

(16) ExxonMobil was unable to explain why production from the above-identified wells was not reflected in the Division's records.

(17) The Division did not prove that ExxonMobil's above-referenced wells are out of compliance with Division Rule 201.B.

(18) ExxonMobil has failed to comply with the reporting requirements of Division Rule 1115 with respect to these wells. However, the Division did not prove that such failure was knowing and willful.

(19) ExxonMobil should be ordered to bring these wells into compliance with the reporting requirements of Division Rule 1115.

(20) With respect to General Minerals Corporation, the Division presented testimony that demonstrates:

(a) General Minerals Corporation is the operator of the Federal "CCC" Well No. 1 (API No. 30-015-25477) located in Unit K of Section 4, Township 16 South, Range 31 East, NMPM, Eddy County, New Mexico;

(b) the Federal "CCC" Well No. 1 has not produced any hydrocarbons since before 1997; and

(c) General Minerals Corporation was notified by letter dated September 8, 2000, referring to previous correspondence dated May 2000, to bring this well into compliance.

(21) General Minerals Corporation's Federal "CCC" Well No. 1 is not in compliance with Rule 201.B.

(22) General Minerals Corporation knowingly and willfully failed to comply with OCD Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) (\$1,000 for each year of non-compliance) should be assessed against General Minerals Corporation for this knowing and willful violation.

(23) General Minerals Corporation should be ordered to bring this well into compliance with Division Rule 201.B.

(24) With respect to Guadalupe Operating Co., LLC, the Division presented testimony that demonstrates:

(a) Guadalupe Operating Co., LLC is the operator of six (6) wells in Eddy County, New Mexico, identified as follows:

Yates Federal Well No. 2 (API No. 30-015-01176) Unit P, Section 6, T-20S, R-27E
Yates Federal Well No. 4 (API No. 30-015-01037) Unit D, Section 8, T-20S, R-27E
Yates Federal Well No. 10 (API No. 30-015-01024) Unit O, Section 6, T-20S, R-27E
Yates Federal Well No. 14 (API No. 30-015-01036) Unit C, Section 7, T-20S, R-27E
Yates Federal Well No. 17 (API No. 30-015-21097) Unit A, Section 7, T-20S, R-27E
Yates Federal Well No. 7 (API No. 30-015-01023) Unit J, Section 6, T-20S, R-27E

b) the Yates Federal Wells No. 2, 4, 10, 14 and 17 have not produced hydrocarbons since before 1997;

(c) the Yates Federal Well No. 7 is an injection well, but no injection into this well has been reported since October, 1997;

(d) Guadalupe Operating Co., LLC was notified by letter dated September 8, 2000, referring to previous correspondence dated May 2000, to bring these wells into compliance; and

(e) Guadalupe Operating Co., LLC has not responded to the Division's letters.

(25) Guadalupe Operating Co., LLC's above-identified wells are not in compliance with Division Rule 201.B.

(26) The Division did not recommend that a civil penalty be assessed against Guadalupe Operating Co., LLC.

(27) Guadalupe Operating Co., LLC should be ordered to bring these wells into compliance with Division Rule 201.B.

(28) With respect to Herman V. Wallis, the Division presented testimony that demonstrates:

(a) Herman V. Wallis is the operator of four (4) wells in Chaves County, New Mexico, identified as follows:

Federal "14" Well No. 1 (API No. 30-005-60491) Unit K, Section 14, T-14S, R-28E
Federal "14" Well No. 2 (API No. 30-005-60258) Unit D, Section 14, T-14S, R-28E
Lura Federal Well No. 1 (API No. 30-005-62081) Unit M, Section 10, T-14S, R-28E
State Com. Well No. 1 (API No. 30-005-60289) Unit O, Section 11, T-14S, R-28E

(b) none of the above-identified wells has produced hydrocarbons since before 1997;

(c) on or about May 11, 2000, the Division notified Herman V. Wallis that its records indicated that the above-identified wells were not in compliance with Rule 201.B. Herman V. Wallis responded to the Division's May letter indicating that the wells were shut in "waiting on market"; and

(d) the Division did not send Herman V. Wallis a follow-up letter ordering that he bring the above-identified wells into compliance with Rule 201.B.

(29) Herman V. Wallis' above-identified wells are not in compliance with Division Rule 201.B.

(30) The Division recommended that Herman V. Wallis be assessed a civil penalty in the amount of four thousand dollars (\$4,000) for knowingly and willfully failing to comply with Rule 201.B.

(31) The evidence presented does not justify a civil penalty with respect to Herman V. Wallis.

(32) Herman V. Wallis should be ordered to bring these wells into compliance with Division Rule 201.B.

(33) With respect to Julian Ard, the Division presented testimony that demonstrates:

(a) Julian Ard is the operator of the Acme Well No. 1 (API No. 30-005-61891) located in Unit I of Section 4, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico;

(b) no production reports have been filed with respect to the Acme Well No. 1 since before 1997; and

(c) on or about July 25, 2001, the Division notified Julian Ard of its continuing efforts to bring wells into compliance with Rule 201.B. This letter requested that Julian Ard present to the Division, a status report on its inactive well. The Division's letter, however, did not specifically identify the Acme Well No. 1 as being a well targeted for compliance.

(34) Counsel for Julian Ard appeared and requested a continuance of this case as to Julian Ard because the Acme Well No. 1 is located on a State of New Mexico lease that has expired, and Julian Ard has requested an extension of this lease and is awaiting a ruling from the Commissioner of Public Lands for the State of New Mexico.

(35) Julian Ard's Acme Well No. 1 is not in compliance with Division Rule 201.B.

(36) The Division did not recommend that a civil penalty be assessed against Julian Ard.

(37) The Division also recommended against the continuance proposed by Julian Ard.

(38) The requested continuance by Julian Ard is reasonable, and therefore, the issue of the Acme Well No. 1 should be heard in Case No. 12733-A on January 10, 2002, at which time Julian Ard should appear and present a plan for bringing the well into compliance.

(39) With respect to SWR Operating Company, the Division presented testimony that demonstrates:

(a) SWR Operating Company is the operator of fourteen (14) wells in Eddy County, New Mexico, identified as follows:

Donnelly Pan American Well No. 1Y (API No. 30-015-05739) Unit G, Section 5, T-19S, R-31E
Featherstone Well No. 1 (API No. 30-015-05737) Unit H, Section 5, T-19S, R-31E
Featherstone Well No. 1 (API No. 30-015-05744) Unit K, Section 5, T-19S, R-31E
Featherstone Well No. 2 (API No. 30-015-05740) Unit A, Section 5, T-19S, R-31E
Featherstone Well No. 4 (API No. 30-015-05747) Unit J, Section 5, T-19S, R-31E
Featherstone Federal Well No. 1 (API No. 30-015-05732) Unit J, Section 4, T-19S, R-31E
Hodges Federal Well No. 1 (API No. 30-015-05752) Unit P, Section 6, T-19S, R-31E
Keohane "C" Federal Well No. 1 (API No. 30-015-05595) Unit P, Section 21, T-18S, R-31E
Nickson "A" Well No. 1 (API No. 30-015-05731) Unit D, Section 4, T-19S, R-31E
Shugart "B" Well No. 1 (API No. 30-015-05670) Unit O, Section 33, T-18S, R-31E
Shugart "B" Well No. 3 (API No. 30-015-05672) Unit N, Section 33, T-18S, R-31E
Welch "A" Well No. 1 (API No. 30-015-05726) Unit B, Section 4, T-19S, R-31E
Welch "A" Well No. 3 (API No. 30-015-05728) Unit F, Section 4, T-19S, R-31E
Welch "A" Well No. 4 (API No. 30-015-05729) Unit C, Section 4, T-19S, R-31E

(b) no production reports have been filed with respect to any of the above-identified wells since before 1997;

(c) by letters dated September 8, 2000 and January 11, 2001, the Division notified SWR Operating Company that the above-identified wells were

not in compliance with Rule 201.B, and demanded that SWR Operating Company bring these wells into compliance; and

(d) SWR Operating Company has not responded to the Division's letters.

(40) SWR Operating Company's above-identified wells are not in compliance with Division Rule 201.B.

(41) The Division did not recommend that a civil penalty be assessed against SWR Operating Company.

(42) SWR Operating Company should be ordered to bring these wells into compliance with Rule 201.B.

(43) With respect to Thornton Hopper, the Division presented testimony that demonstrates:

(a) Thornton Hopper is the operator of five (5) wells in Eddy County, New Mexico, identified as follows:

Bradley Federal Well No. 1 (API No. 30-015-00391) Unit D, Section 13, T-24S, R-26E
Bradley Federal Well No. 2 (API No. 30-015-00387) Unit P, Section 11, T-24S, R-26E
Bradley Federal Well No. 5 (API No. 30-015-00382) Unit P, Section 11, T-24S, R-26E
Bradley Federal Well No. 6 (API No. 30-015-00386) Unit I, Section 11, T-24S, R-26E
Bradley Federal Well No. 8 (API No. 30-015-00383) Unit K, Section 11, T-24S, R-26E

(b) the Bradley Federal Wells No. 1, 2, 5 and 8 have not produced any hydrocarbons since before 1997;

(c) the Bradley Federal Well No. 6 is a salt water disposal well. No injection reports have been filed with respect to this well since before 1997. Accordingly, the authority to inject into such well may have terminated pursuant to Division Rule 705.C(1); and

(d) by letters dated May 11, 2000 and December 26, 2000, the Division has notified Thornton Hopper that the above-identified wells were not in compliance with Rule 201.B, and demanded that Thornton Hopper bring these wells into compliance.

(44) Thornton Hopper's above-identified wells are not in compliance with Division Rule 201.B.

(45) Thornton Hopper knowingly and willfully failed to comply with OCD Rule 201.B. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of five thousand dollars (\$5,000) (\$1,000 per well per year of violation) should be assessed against Thornton Hopper for this knowing and willful violation.

(46) Thornton Hopper should be ordered to bring these wells into compliance with Rule 201.B.

(47) With respect to Wiser, the Division presented testimony that demonstrates:

(a) Wiser is the operator of twenty-three (23) wells in Eddy County, New Mexico, identified as follows:

Lea "C" Well No. 3 (API No. 30-015-05131) Unit D, Section 11, T-17S, R-31E
Lea "C" Well No. 14 (API No. 30-015-20705) Unit I, Section 11, T-17S, R-31E
Skelly Unit Well No. 3 (API No. 30-015-05347) Unit D, Section 22, T-17S, R-31E
Skelly Unit Well No. 13 (API No. 30-015-05323) Unit K, Section 21, T-17S, R-31E
Skelly Unit Well No. 17 (API No. 30-015-05153) Unit B, Section 15, T-17S, R-31E
Skelly Unit Well No. 18 (API No. 30-015-05154) Unit D, Section 15, T-17S, R-31E
Skelly Unit Well No. 42 (API No. 30-015-05356) Unit B, Section 22, T-17S, R-31E
Skelly Unit Well No. 45 (API No. 30-015-05346) Unit G, Section 22, T-17S, R-31E
Skelly Unit Well No. 46 (API No. 30-015-05357) Unit H, Section 22, T-17S, R-31E
Skelly Unit Well No. 47 (API No. 30-015-05364) Unit E, Section 23, T-17S, R-31E
Skelly Unit Well No. 52 (API No. 30-015-05345) Unit J, Section 22, T-17S, R-31E
Skelly Unit Well No. 56 (API No. 30-015-05350) Unit N, Section 22, T-17S, R-31E
Skelly Unit Well No. 57 (API No. 30-015-05353) Unit O, Section 22, T-17S, R-31E
Skelly Unit Well No. 67 (API No. 30-015-05339) Unit J, Section 21, T-17S, R-31E
Skelly Unit Well No. 72 (API No. 30-015-05372) Unit K, Section 23, T-17S, R-31E
Skelly Unit Well No. 85 (API No. 30-015-05422) Unit B, Section 27, T-17S, R-31E
Skelly Unit Well No. 89 (API No. 30-015-05429) Unit B, Section 28, T-17S, R-31E
Skelly Unit Well No. 102 (API No. 30-015-05147) Unit B, Section 14, T-17S, R-31E
Skelly Unit Well No. 103 (API No. 30-015-05148) Unit C, Section 14, T-17S, R-31E
Skelly Unit Well No. 105 (API No. 30-015-05149) Unit F, Section 14, T-17S, R-31E
Skelly Unit Well No. 123 (API No. 30-015-22257) Unit M, Section 22, T-17S, R-31E
Skelly Unit Well No. 161 (API No. 30-015-28140) Unit K, Section 28, T-17S, R-31E
Skelly Unit Well No. 264 (API No. 30-015-28999) Unit C, Section 27, T-17S, R-31E

(b) the Lea "C" Wells No. 3 and 14 and the Skelly Unit Wells No. 13 and 123 have not produced any hydrocarbons since before 1997;

(c) no production reports have been filed regarding the Skelly Unit Well No. 161 since before 1997;

(d) the Skelly Unit No. 264 has not produced any hydrocarbons since October, 1999;

(e) each of the remaining wells identified above are injection wells in which there has been no injection for a period in excess of one year; and

(f) by letter dated January 22, 2001 the Division notified Wiser that the Lea "C" Wells No. 3 and 14 and the Skelly Unit Wells No. 3, 13, 17, 18, 42, 46, 52, 56, 57, 89, 102, 123, and 161 were not in compliance with Rule 201.B, and demanded that Wiser bring these wells into compliance.

(48) Wiser presented testimony to the effect that:

(a) Wiser's Lea "C" Wells No. 3 and 14 were formerly temporarily abandoned pursuant to Division Rule 203, but the temporary abandonment status of those wells has expired;

(b) all of the Wiser Skelly Unit Wells have either been plugged and abandoned, temporarily abandoned or returned to injection; and

(c) the required reports to the Division concerning the Skelly Unit wells have not been timely made such that the compliance status of these wells could not be correctly ascertained from the Division's records as of the date of the filing of the application in this case.

(49) Wiser's Lea "C" Wells No. 3 and 14 are not in compliance with Division Rule 201.B.

(50) Wiser did not present sufficient evidence to demonstrate that the required reports for the Skelly Unit wells have been filed with the Division, and that these wells are now in compliance with Rule 201.B.

(51) The portion of the application concerning Wiser's wells, as identified in Finding No. (47), should be continued and heard on January 10, 2002, as part of Case No.

12733-A, at which time Wiser should appear to present evidence to support its testimony that the Skelly Unit wells are in compliance with Rule 201.B, and that a plan to bring the Lea "C" Wells No. 3 and 14 into compliance has been submitted to the supervisor of the Division's Artesia District Office.

(52) Any decision to assess a civil penalty against Wiser should be deferred until after additional evidence is presented at the January 10, 2002 Examiner Hearing.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Roy E. Kimsey, Jr. and Stevens Operating Corp. is hereby dismissed.

(2) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Aceco Petroleum Company, Amtex Energy, Inc., Bird Creek Resources, Inc., Burnett Oil Co., Dinero Operating Company, Lindenmuth & Associates, Inc., Mar Oil & Gas Corp., NGX Company, and Read & Stevens, Inc., is hereby severed from Case No. 12733. The severed case is hereby denominated Case No. 12733-A. The Division administrator is directed to open a case file for the severed Case No. 12733-A, and to place therein true copies of the Application and Notice filed in this Case No. 12733.

(3) Case No. 12733-A is continued, and set for hearing before the Division on January 10, 2002.

(4) The request of Julian Ard for a continuance is hereby granted. Additional evidence and testimony relating to Julian Ard's Acme Well No. 1 shall be heard by the Division in Case No. 12733-A on January 10, 2002.

(5) That portion of this case concerning The Wiser Oil Company's twenty-three (23) wells in Eddy County, New Mexico, as identified in Finding No. 47, is hereby continued to be heard on January 10, 2002 as part of Case No. 12733-A. The Wiser Oil Company shall appear at that hearing to present evidence to demonstrate that the Skelly Unit wells are in compliance with Rule 201.B, and that a plan to bring the Lea "C" Wells No. 3 and 14 into compliance has been submitted to the supervisor of the Division's Artesia District Office.

(6) Any decision to assess a civil penalty against The Wiser Oil Company shall be deferred until after additional evidence is presented at the January 10, 2002 Examiner Hearing.

(7) This order is entered in Case No. 12733 only.

(8) Pursuant to the Application of the Division, Carl Schellinger, General Minerals Corporation, Guadalupe Operating Co., LLC, Herman V. Wallis, SWR Operating Co., and Thornton Hopper are hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring each of their wells herein identified into compliance with Rule 201.B by accomplishing one of the following with respect to each well:

(a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division-approved plugging program;

(b) restoring the well to production if the well is an oil or gas well;

(c) restoring the well to injection if the well is an injection well; or

(d) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

(9) As to any wells that the operators fail to bring into compliance within the time period prescribed by this order, the supervisor of the Artesia District Office and Division counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operators or by the Division, and to forfeit the financial assurance, if any, provided by such operators pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, or take other action as appropriate.

(10) ExxonMobil Corporation is hereby ordered to correct and complete their production reports to the Division to reflect all production from their wells named in Finding (14).

(11) Administrative penalties are hereby assessed against each of the following operators for knowingly and willfully failing to bring their wells into compliance after receiving notice from the Division to do so. The amounts assessed are as follows:

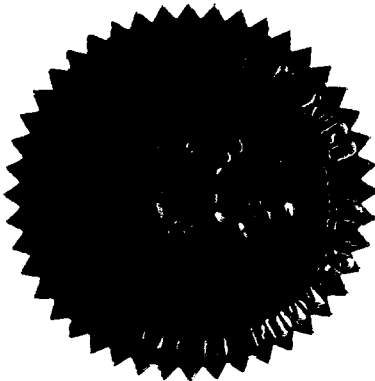
Carl Schellinger	\$4,000
Thornton Hopper	\$5,000
General Minerals Corp.	\$1,000

(12) The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico

Oil Conservation Division,” and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrotenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87504, unless within such time application is filed by the operator for *de novo* review by the New Mexico Oil Conservation Commission of the penalty assessed against it.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Lori Wrotenbery". The signature is fluid and elegant, with a long, sweeping tail on the final letter.

LORI WROTENBERY
Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

CONFERENCE CALL

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

APRIL 10, 2002

**9:00 A.M.
AGENDA**

Lori Wrotenbery

Director
Oil Conservation Division

1. **Surface restoration/plugging contracts - Roger**
2. **OCD Timeline for 2002 - Lori**
3. **Reporting gas injection in pressure maintenance projects - Lori**

OIL CONSERVATION DIVISION

January	February	March	April	May	June	July	August	September	October	November	December
Issued laboratory price agreement	Hired new Petroleum Engineer	Held inactive well project hearing for Artesia	Distribute revised surface commingling procedures for public comment	Conduct H2S rule hearing	Conduct public notice rule hearing	Complete Eunice treating plant Phase 1 investigation	Conduct pit rule hearing	Beta complete in Imaging Project in Aztec District	Present large company environmental merit award	Conduct Rule 711 Hearing	All well files converted in imaging project
Formed Steering Committee for OCD Online	Posted well data and production on Internet	Executed contract for development of UIC Manual	Complete Eldridge Phase 1 investigation	Complete remediation contract price agreement	Complete Class V brochure and conduct training	Transfer inactive well project to RBDMS	Convene egling infrastructure workgroup	Conduct hearing on rule revisions on C-103s for OCD Online	Conduct Rules 19 and 116 hearing	Complete Goodwin remediation	C-103s and C-104s in production for OCD Online
Finished plugging package of 27 wells in Aztec	Met with BLM regarding OCD Online	Delivered upgraded GIS/GPS	Pilot C-101 and C-102 for OCD Online	Finish Inspector certification program	Salt workgroup presents model	Implement district SQL	Code RBDMS Imaging Interface	Complete Disaster Recovery Plan	Complete Westgate remediation	Windmill initial report submitted	Implement ongoing inactive well program
	Overhauled RBDMS front-end, performance-tuned SQL back-end	Began RBDMS Web Access DB design	Recompiles Division survey responses for Disaster Recovery Plan	Complete 2001 major balancing adjustments for production reporting	Complete H2S certification and HAZWOPR training for district personnel	Automate data updates through replication	Present small company environmental merit award	Implement a procedure to track and enforce UIC reporting requirements	Installation in districts for imaging project		
	Established Environmental Bureau performance measures	Began Westgate remediation	Hold GIS workshop with geologists to clean up pool data	Receive BLM permits for OCD Online	Test SQL laptop install, finalize replication routines	Identify orphan wells		Remodel Aztec District Office for move in by State Parks Regional Office	Executes an MOU or MOA with BLM concerning injection wells on Federal lands		
			Design RBDMS inactive model	Bring SLO on as first outside RBDMS/SQL users	Put inactive well project data into production in RBDMS	Conduct hearing on revised surface commingling rules					
				Select vendor for Imaging Project	Implement RBDMS Web administrative permits, hearing orders	Complete UIC Manual					
				Implement RBDMS web - inspections, MITs, schedules	Conduct hearing on Fruitland Coal well density				Half of PADs completed	Half of PADs completed	

GENERAL MINERALS CORPORATION
4133 N. LINCOLN BLVD.
OKLAHOMA CITY, OK 73105
405-524-5227

1/27/2002

Lori Wrotenberg
Director
State of New Mexico
Oil and Conservation Division
And Assistant General Counsel/ David K. Brooks
Attn: David K. Brooks, Assistant General Counsel
And
Tim Gum, District Supervisor
Oil Conservation Division, 1301 W. Grand Ave.
Artesia, N. M. 88210

02 FEB 11 AM 10:45

OL CONSERVATION DIV

RE: Federal CCC1/OCD Case No. ~~12783~~, Request for ~~denovo~~ review of January 15, 2002 order of the Commission.

Dear Sir/Madam:

Pursuant to your letter of January 19, 2002, we are enclosing a copy of page five (5) of the hearing transcript and, .

1. We are enclosing record pertaining to item (20) b, (21) and (22) to show that the facts presented before a tribunal to generate findings of facts and conclusion of law to levy fine against us should be vacated, as some one offered false testimony. This record is clear and dispositive against the allegation in 20b as the first purchaser of oil shows production of oil from Federal CCC1 after 1977.
2. Further, attachment of disbursement shows that Navajo Refining should have deposited to the state of N.M. treasury sums in the amount of \$ 311.91 for 1999, and \$242.89 + \$389.46 for the year 2000 as severance taxes.

We have been awaiting a better market price for crude since the late part of 2001 to sell oil.

3. We are also attaching the proof that the Federal Government is listed as an owner of royalty from the subject well. If Navajo is only deducting these revenues and not paying, we do not know.
4. We are then attaching the record to show that the Central Valley Electric Coop has been supplying power to this well. This credit memorandum shows substantial usage of power to run the well in year 2001. We do not have any other well connected to their system.

In response to other requirements of your letter, we state that the vacation of the Order No. R-11710 would only require the proof that the testimony was wrong; hence the order should not have been entered against us. Now, due to the contumacious conduct of the Division

2

2

employees, we are being burdened with requirements for which we do not have time or the resources to address- not with the income from the stripper wells.

Further, we have found no correspondence in our file to show that the Division requested some information from us, four times, that went unanswered.

We operate stripper wells that leave no money to hire clerical staff, hence we hire an outside service to file the forms to report production when the oil is hauled.

5. Your requirement to report oil produced each month is onerous and extremely burdensome. It serves no purpose except to keep the state employees on payroll entering data in the computer.
6. State of Oklahoma has even returned severance taxes to keep the oil operators in business, but state of N.M. is causing burden to help the strippers to be plugged. Once these wells are plugged, no more wells will be drilled, leaving Oil in ground that will never be recovered.
7. We have requested our reporting service to find prior reports submitted for forwarding to your office.

Sincerely,



Kris K. Agrawal

- Enc. 1. Page 5 of findings of fact
2. Navajo refining's log of oil production and deduction of severance taxes
3. Division of Interest pay sheet
4. Electric Utility notice of patronage capital

(19) ExxonMobil should be ordered to bring these wells into compliance with the reporting requirements of Division Rule 1115.

(20) With respect to General Minerals Corporation, the Division presented testimony that demonstrates:

(a) General Minerals Corporation is the operator of the Federal "CCC" Well No. 1 (API No. 30-015-25477) located in Unit K of Section 4, Township 16 South, Range 31 East, NMPM, Eddy County, New Mexico;

(b) the Federal "CCC" Well No. 1 has not produced any hydrocarbons since before 1997; and

(c) General Minerals Corporation was notified by letter dated September 8, 2000, referring to previous correspondence dated May 2000, to bring this well into compliance.

(21) General Minerals Corporation's Federal "CCC" Well No. 1 is not in compliance with Rule 201.B.

(22) General Minerals Corporation knowingly and willfully failed to comply with OCD Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) (\$1,000 for each year of non-compliance) should be assessed against General Minerals Corporation for this knowing and willful violation.

(23) General Minerals Corporation should be ordered to bring this well into compliance with Division Rule 201.B.

(24) With respect to Guadalupe Operating Co., LLC, the Division presented testimony that demonstrates:

(a) Guadalupe Operating Co., LLC is the operator of six (6) wells in Eddy County, New Mexico, identified as follows:

Yates Federal Well No. 2 (API No. 30-015-01176) Unit P, Section 6, T-20S, R-27E
Yates Federal Well No. 4 (API No. 30-015-01037) Unit D, Section 8, T-20S, R-27E
Yates Federal Well No. 10 (API No. 30-015-01024) Unit O, Section 6, T-20S, R-27E
Yates Federal Well No. 14 (API No. 30-015-01036) Unit C, Section 7, T-20S, R-27E
Yates Federal Well No. 17 (API No. 30-015-21097) Unit A, Section 7, T-20S, R-27E
Yates Federal Well No. 7 (API No. 30-015-01023) Unit J, Section 6, T-20S, R-27E



REFINING COMPANY
801 EAST MAIN STREET • P.O. BOX 169
ARTESIA, NEW MEXICO 88211-0169
Phone (505) 746-3311 • Fax (505) 746-5283

DIVISION ORDER AND LEASE RECORD DEPARTMENT

PLEASE DELIVER 5 PAGES, INCLUDING THIS COVER SHEET
TO: Kris FAX #: (405) 524-5229

COMPANY/DEPARTMENT: General Mineral Corp.

MESSAGE: _____

FROM: Denise DATE: 2/8/02

If you do not receive all pages, please call Denise at
505/746-5 247.

NOTE: Unless otherwise indicated or obvious from the nature of the transmittal, the information contained in this facsimile message is privileged and confidential information intended for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error or are not sure whether it is privileged, please immediately notify us by telephone, and return the original message to us at the above address via the U. S. Postal Service. Thank you.

5

NAVAJO REFINING COMPANY
501 E. MAIN
PO BOX 159
ARTESIA, NM 88211-0159
(505) 746-3311

*** Corrected Statement ***

PAGE 1

029791 GENERAL MINERALS CORPORATION
4133 N LINCOLN BLVD
OKLAHOMA CITY, OK 73105

TRANSPORTER: NAVAJO REFINING CO.-TRUCK
STATE: NM
COUNTY: EDDY
PAYMENT METHOD: Basic

PROPERTY: 00017197 FEDERAL CCC #1

OPERATOR'S CRUDE OIL STATEMENTAs of 02/08/02
4:13pm

ADJUST CODE	TICKET DATE	TICKET NBR	TANK NBR	GVTY	VOLUME	PRICE	GROSS VALUE
	03/02/99	19101	00013377	36.3	181.96	12.0452	2,191.62
	03/29/99	15824	00013377	34.3	139.59	12.0452	1,681.39
	03/99	PROPERTY TOTALS:			321.54		3,873.01
		CALC WEIGHTED AVG GVTY		35.4			
		TRANSPORTATION CHARGES					0.00
		SEVERANCE TAXES					311.91
		GROSS DEDUCTS					0.00
		NET VALUE					3,561.10

6

NAVAJO REFINING COMPANY
501 E. MAIN
PO BOX 159
ARTESIA, NM 88211-0159
(505) 748-3311

*** Corrected Statement ***

PAGE 1

029791 GENERAL MINERALS CORPORATION
4133 N LINCOLN BLVD
OKLAHOMA CITY, OK 73105

TRANSPORTER: NAVAJO REFINING CO.-TRUCK
STATE: NM
COUNTY: EDDY
PAYMENT METHCD: Basic

PROPERTY: 00017197 FEDERAL CCC #1

-----*

OPERATOR'S CRUDE OIL STATEMENT
JANUARY, 2000

-----*

As of 02/08/02
4:14pm

ADJUST CODE	TICKET DATE	TICKET NBR	TANK NBR	GVTY	VOLUME	PRICE	GROSS VALUE
	01/31/00	15436	00013377	34.7	120.93	24.9839	3,021.30
	01/00	PROPERTY TOTALS:			120.93		3,021.30
		CALC WEIGHTED AVG GRVTY			34.7		
		TRANSPORTATION CHARGES					0.00
		SEVERANCE TAXES					242.89
		GROSS DEDUCTS					0.00
		NET VALUE					2,778.41

2

NAVAJO REFINING COMPANY
 501 E. MAIN
 PO BOX 159
 ARTESIA, NM 88211-0159
 (505) 748-3311

*** Corrected Statement ***

PAGE 1

029791 GENERAL MINERALS CORPORATION
 4333 N LINCOLN BLVD
 OKLAHOMA CITY, OK 73105

TRANSPORTER: NAVAJO REFINING CO.-TRUCK
 STATE: NM
 COUNTY: KDDY
 PAYMENT METHOD: Basic

PROPERTY: 00017197 FEDERAL CCC #1

OPERATOR'S CRUDE OIL STATEMENT
 OCTOBER, 2000

As of 02/08/02
 4:14pm

ADJUST CODE	TICKET DATE	TICKET NBR	TANK NBR	GVTY	VOLUME	PRICE	GROSS VALUE
	10/29/00	21584	00013377	34.3	158.00	30.6532	4,843.21
10/00	PROPERTY TOTALS:				158.00		4,843.21
				CALC WEIGHTED AVG GRVTY	34.3		
				TRANSPORTATION CHARGES			0.00
				SEVERANCE TAXES			389.46
				GROSS DEDUCTS			0.00
				NET VALUE			4,453.75

8



REFINING COMPANY

501 EAST MAIN STREET • P.O. BOX 159
ARTESIA, NEW MEXICO 88211-0159
Phone (505) 746-3311 • Fax (505) 746-5283

TELECOPIED
FEB 08 2002

DIVISION ORDER AND LEASE RECORD DEPARTMENT

PLEASE DELIVER 82 PAGES, INCLUDING THIS COVER SHEET

TO: Kris FAX #: (405) 524-5229

COMPANY/DEPARTMENT: General Mineral Corp.

MESSAGE: _____

FROM: Denise DATE: 2/8/02

If you do not receive all pages, please call Denise at
505/746-5 247

NOTE: Unless otherwise indicated or obvious from the nature of the transmittal, the information contained in this facsimile message is privileged and confidential information intended for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error or are not sure whether it is privileged, please immediately notify us by telephone, and return the original message to us at the above address via the U. S. Postal Service. Thank you.

9

DATE: Fri Feb 08, 2002
TIME: 16:40:26HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - ExhibitREPORT: DC3
PAGE: 1 of 1Lease: 00017197 Sub: Name: FEDERAL CCC #1
G/L Comp: 84 Division: 48 Period: 01-2002 Username: denise
Operator: 029791 Name: GENERAL MINERALS CORPORATION

Owner	Name	Division Of Interest	Type Interest
000002	MINERALS M OF INTERIOR-MMS ROYALTY MANAGEMENT PROGRAM P O BOX 5760 DENVER, CO 80217-5760	0.02900000	RI
019244	FLOOS INC PO BOX 2769 HOBBS, NM 88241-2769	0.13600000	OR
019906	TRIGG FAMILY TRUST PAULINE V TRIGG TRUSTEE PO BOX 520 ROSWELL, NM 88202-0520	0.01000000	OR
029265	GEO ENGINEERING & TESTING CORPORATION A/C GENERAL MINERALS CORPORATION 4133 NORTH LINCOLN BLVD OKLAHOMA CITY, OK 73105	0.82500000	WT

Interest Total: 1.00000000

"THIS INFORMATION IS FURNISHED AS A COURTESY.
NAVAJO REFINING COMPANY ASSUMES NO LIABILITY
FOR ACCURACY OR CORRECTNESS OF THE INFORMATION
HEREIN SET OUT."

10

Central Valley Electric Cooperative, Inc.



P.O. Box 230

1505 North Thirteenth Street

Artesia, New Mexico 88211

CHARLES T. PINSON JR.
Executive Vice President
& General Manager

FAX
(505) 746-4219

TELEPHONE
(505) 746-3571 Artesia
(505) 752-3366 Hagerman
(505) 623-1200 Roswell

1/25/02

Dear Patron,

Under the non-profit provision of your cooperatives by-laws, as amended, each patron is entitled to notice of the amount of patronage capital that was furnished by them to the cooperative. Patronage capital is the amount furnished by a patron in connection with their use of electrical energy which is in excess of the cost of this service to them.

It has been determined that during the year of 2001, the patrons furnished patronage capital amounting to \$2,618,653.40. Patronage capital furnished by you or your firm during the year of 2001 amounted to \$77.03.

Patronage capital is used by your cooperative for reducing its indebtedness on RUS loans and for other business related expenses. Patronage capital is, in effect, invested in poles, wire, transformers and other property. The board of trustees review the financial position of the cooperative annually and make the determination as to the retirement of these patronage capital accumulations to the membership. In accordance with the by-laws, patronage capital must be returned in the order in which it was accumulated.

Very Truly Yours,

Central Valley Electric
Cooperative, Inc.

CHARLES T. PINSON JR.
Manager

Please notify your cooperative of all address changes now and in the future. This insures your receipt of all patronage capital credit dividends.

GENERAL MINERALS
4133 N LINCOLN BLVD
OKLAHOMA CITY OK 73105-5208

Member# 8427

11

GENERAL MINERAL CORPORATION 4133 No Lincoln Blvd,

Oklahoma City OK 73105

FAX

Date: 1/8/02
Number of pages including cover sheet: 1

To: Denise
Calvert-Navajo
505-746-5283f
505-748-3311

Phone:

Fax phone: 505-476-3462

CC: oil & gas conservation
Division

From: KRIS K Agnew

Phone: 405 524-5227

Fax phone: 405 524-5229

REMARKS: ☒ Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

Please provide me the lease production
record for Federal ccc1 in Eddy et al, NM

Thanks

To: oil conservation Division Kris Agnew

Five copies of Denaro hearing request
sent to DAVID K BROOKS, Esq.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	ULSTR	OCD PROD UL YEAR MTH	GAS	OIL	WATER	INJ
8672 GENERAL MINERALS CORP	FEDERAL CCC #001	30-015-25477	K-04-16S-31E	1997 1		2		
				1997 2		22		
				1997 3		37		
				1997 4		44		
				1997 5		48		
				1997 6		42		
				1997 7		24		
				1997 8		39		
				1997 9		39		
				1997 10				
		30-015-25477				297		

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

BEFORE THE
OIL CONSERVATION COMMISSION
San Antonio, New Mexico

Case No. 12733 Sub No. 1

On this day of OCD

FILED Date 3/26/02

AFFIDAVIT OF NOTICE

Before me, the undersigned authority, on this day personally appeared DAVID K. BROOKS, well known to me to be a credible person, and after being duly sworn, did solemnly declare upon his oath as follows:

"My name is David K. Brooks. I am employed by the Energy, Minerals and Natural Resources Department of the State of New Mexico as Assistant General Counsel.

"I am attorney of record for the New Mexico Oil Conservation Division, as Applicant, in Case No. 12733, Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring Ninety-Five (95) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Eddy and Chaves Counties, New Mexico.

"On September 12, 2001, I prepared the letter a letter to all of the operators named as respondents in the Application filed in Case No. 12733. Attachment A to this Affidavit is a true copy of the letter that I prepared. I then caused a copy of Attachment A to be mailed to each of the operators named on the second page of Attachment A, by Certified Mail, Return Receipt Requested. A copy of the Application filed with the Division is Case No. 12733 was enclosed with each letter.

"I received from the United States Postal Service return receipts evidencing receipt of the notification letter (Attachment A) by each of the addressees, with the exception of General Minerals Corp. and SWR Operating Co. Copies of the receipts for certified mail evidencing mailing of the notification letters to the following operators, and of the return receipts evidencing receipt of the said letters by each of said operators, are attached hereto as follows:

<u>Operator</u>	<u>Attachment</u>
Carl Schellinger	B
Exxon Mobil Corporation	C
Guadalupe Operating Co., LLP	D
Herman V. Wallis	E
Julian Ard	F
NGX Company	G
Read & Stevens, Inc.	H
Stevens Operating Corp.	I
Thornton Hopper	J
Wiser Oil Co.	K

BEFORE EXAMINER CATAVACH	
OIL CONSERVATION DIVISION	
<u>OCD</u>	EXHIBIT NO. <u>2</u>
CASE NO: <u>12733</u>	

OIL CONSERVATION COMMISSION Santa Fe, New Mexico	Case No. <u>12733</u>
	Submitted by <u>OCD</u>
	Hearing Date <u>3/26/02</u>

"A copy of the notification letter (Attachment A) was sent to General Minerals Corp. by Certified Mail, Return Receipt Requested, as evidenced by receipt for certified mail a true copy whereof is attached hereto as Attachment L. Such notification letter was

not returned to the Division, nor has a return receipt been received by the Division as of this date.

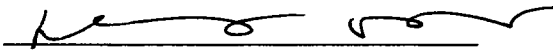
"A copy of the notification letter (Attachment A) was sent to SWR Operating Co., and a return receipt with the signature stricken out was received by the Division, as evidenced by the receipt for certified mail and return receipt a true copy whereof is attached hereto as Attachment M. The notification letter sent to SWR Operating Co. was returned to the Division stamped 'Attempted Not Known.' A true copy of the returned envelope is attached hereto as Attachment N.

"Personnel of the Division acting under my direction caused notice of the hearing scheduled for October 4, 2001 in this Case No. 12733 to be published in the Artesia Daily Press, a newspaper of general circulation in Eddy County, New Mexico, on September 21, 2001. A true copy of the notice published in the Artesia Daily Press is attached hereto as Attachment O."

Further Affiant sayeth not.


David K. Brooks

Subscribed and sworn to in the City of Santa Fe, County of Santa Fe, State of New Mexico, this 4th day of October, 2001. Witness my hand and seal of office.


Notary Public
State of New Mexico

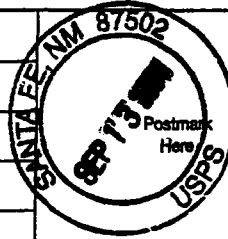
[SEAL]

My commission expires 2/18, 2003

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

7000 0520 0021 3771 6302

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



Recipient's Name (Please Print Clearly) (To be completed by mailer)	
General Minerals Corp.	
Street, Apt. No.; or PO Box No.	
4133 N. Lincoln Blvd.	
City, State, ZIP+ 4	Oklahoma City, OK 73105

PS Form 3800, February 2000

See Reverse for Instructions

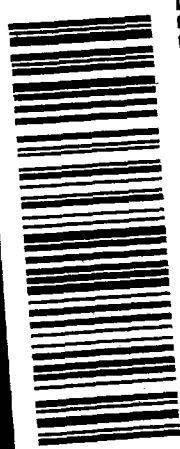
Attachment L

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 12733 Exhibit No. 3
Submitted by OCD
Hearing Date 3/26/02

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Name UCI - B
First Notice
Second Notice
1220 South Saint Francis Drive
P.O. Box 6429
Santa Fe, New Mexico 87505-5472 Return

PLACE STICKER AT TOP OF ENVELOPE
TO THE RIGHT OF RETURN ADDRESS
FOLD AT DOTTED LINE
CERTIFIED MAIL



7000 0520 0021 3771 6302

POSTAGE
4400
METER N 9502634
MOVED LEFT NO ADDRESS ☐
NO MAIL BOX ☐ VACANT ☐ UNCLAIMED ☒
MOVED NO ORDER ☐ REFUSED ☐
NO SUCH NUMBER ☐ STREET ☐
INSUFFICIENT ADDRESS ☐
ATTEMPTED-NOT KNOWN ☐
NOT DELIVERABLE AS ADDRESSED ☐
POSTAGE DUE \$

RETURNED TO SENDER

~~General Minerals Corp.
4133 N. Lincoln Blvd.
Oklahoma City, OK 73105~~

NAME
1st Notice 9-15
2nd Notice 9-22
Turn 9-30

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

OCD EXHIBIT NO. 8

CASE NO. 12733

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

September 8, 2000

8672
GENERAL MINERALS CORP
4133 N LINCOLN BLVD
OKLAHOMA CITY, OK 73105

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

7000 0600 0026 1537 2032

Postage	\$.33
Certified Fee	1.40
Return Receipt Fee (Endorsement Required)	1.25
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 2.98

Postmark
Here

Recipient's Name (Please Print Clearly) (to be completed by mailer)

GENERAL MINERALS CORP

Street, Apt. No., or PO Box No.

4133 N LINCOLN BLVD.

City, State, ZIP+4

OKLAHOMA CITY, OK 73105

PS Form 3800, February 2000

See Reverse for Instructions

Re: Current Status of Oil and Gas Wells

In May of this year, the Oil Conservation Division ("Division") sent a letter to you setting forth the Division's information on wells for which you are the operator of record. The letter requested a response with additional information. The Division has had no response to the letter. The Division presumes you agree with the information in the letter regarding your inactive wells.

The wells have not shown production or been reported on Form C-115 for more than one year. The wells are not in compliance with the Division's rules and the New Mexico Oil and Gas Act.

You are hereby directed to bring these wells into compliance within 60 days. In the alternative, within 30 days you may submit a compliance plan including a schedule of activities with dates.

Sincerely,

Tim Gum
District Supervisor

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

9/11/00

C. Signature

x [Signature]

☐ Agent
☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

GENERAL MINERALS CORP
4133 N LINCOLN BLVD.
OKLAHOMA CITY, OK 73105

2. Article Number (Copy from service label)

7000 0600 0026 1537 2032

PS Form 3811, July 1999

Domestic Return Receipt

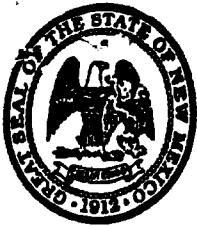
102595-00-M-0852

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 12733 Exhibit No. 4

Submitted by OCD

Receiving Date 3/26/02



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

FINAL NOTICE

CERTIFIED MAIL

DECEMBER 26, 2000

GENERAL MINERALS CORP.
413 N. LINCOLN BLVD.
OKLAHOMA CITY, OK. 73105

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 9
CASE NO.	12733

RE: INACTIVE NON-COMPLIANCE WELLS

The Oil Conservation Division (OCD) currently is addressing all inactive non-compliance wells as a top priority statewide project. A mass mail out was made on May 11, 2000 requesting information from each operator that had inactive wells. A second mail out was made on September 8, directing each operator as part of this project to provide additional information based on how they had responded to the May 11, 2000 letter.

By copy of this letter, the OCD director is requested to schedule a "Show Cause Hearing" to allow you the opportunity to appear and to show way a shut in order, order to plug and abandon all inactive non-compliance wells and/or to call for the forfeiture of your statewide bond is not issued. If your bond is called you can no longer operate in the State of New Mexico.

The "Show Cause Hearing" will be stayed if an aggressive plan being detailed and specific as to type of work and time frame to bring all non-compliance wells into compliance is received in this office within 30 days of receipt of this letter.

Attached is the latest (11/16/00) OCD list of inactive non-compliance wells for your company.

TIM W. GUM

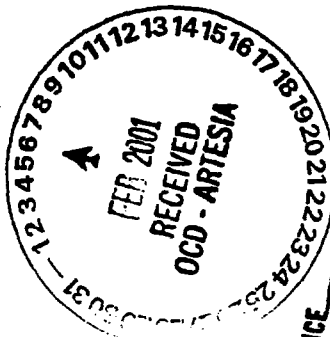
DISTRICT II SUPERVISOR
OIL CONSERVATION DIVISION

XC: LORI WROTENBERY --- DIRECTOR
OCD ATTORNEY
ATTACHMENT

BEFORE THE	
OIL CONSERVATION COMMISSION	
Sandy, New Mexico	
Case No. 12733	Exhibit No. 5
Submitted by	OCD
Hearing Date	3/26/02

API #	Type	Last Production/ Injection	Well Name and Number	ULSTR	FNS	FEW
30-015-25477	O	09-1997	FEDERAL CCC #001	K-04-16S-31E	1980S	1980W

Oil Conservation Division
811 So. First
Artesia, NM 88210

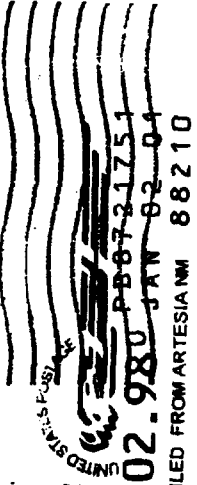
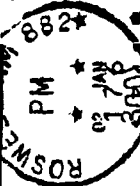


1st NOTICE
2nd NOTICE
RETURNED

CERTIFIED MAIL



7000 0600 0026 1536 9858



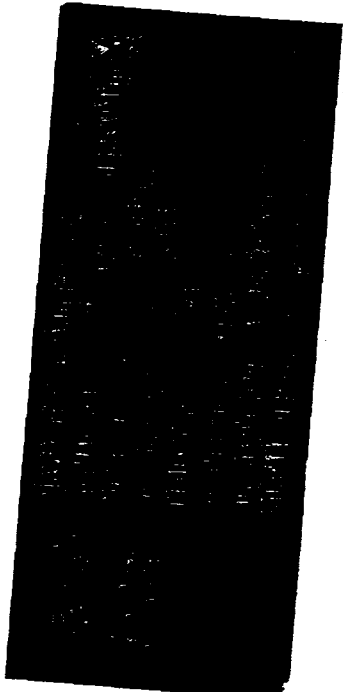
NAME

1st Notice

2nd Notice

Return

1-8
1-17
1-23
10-8
1-1



BEFORE THE
OIL CONSERVATION COMMISSION

State of New Mexico

Case No. 12733 Exhibit No. 6

Submitted by OCD

Hearing Date 3/26/02

1 mean?

2 Q. Yes.

3 A. Yes, there were responses on many.

4 MR. BRUCE: Thank you.

5 EXAMINER CATANACH: Anything further?

6 MR. BROOKS: Nothing further.

7 EXAMINER CATANACH: This witness may be excused.

8 MR. BROOKS: At this time the Division will call

9 Mr. Tim W. Gum.

10 Good morning.

11 MR. GUM: Good morning.

12 TIM W. GUM,

13 the witness herein, after having been first duly sworn upon
14 his oath, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BROOKS:

17 Q. Would you state your name, please, for the
18 record?

19 A. My name is Tim W. Gum.

20 Q. And how are you employed?

21 A. I'm currently employed with the Oil Conservation
22 Division, State of New Mexico, Artesia, New Mexico.

23 Q. And what is your capacity with the Division?

24 A. Currently I hold the position of District
25 Supervisor.

STEVEN T. BRENNER, CCR
(505) 989-9317

1 Q. And in that position are you generally in charge
2 of the operational and the Division's work in those
3 counties which are included in your District?

4 A. Yes, I am.

5 Q. And what counties are those?

6 A. There are ten southernmost counties of the State
7 of New Mexico. Primary production is in Chaves, Eddy,
8 Otero, Dona Ana, Luna, Sierra and -- just two or three
9 more, and I do not remember -- There's no production there,
10 so we really don't have --

11 Q. Eddy's the big one, isn't it?

12 A. Eddy's the biggest, yes.

13 Q. Okay, this proceeding includes Eddy and Chaves,
14 correct?

15 A. That's correct.

16 Q. Mr. Gum, Mr. Prouty -- Ms. Prouty has explained
17 what she did in the beginning of the inactive well project
18 back in early 2000. Would you explain what you did in that
19 project?

20 A. Basically, this project started with a mass
21 notice to all operators in May of 2000. There were two
22 intents of this particular mail-out.

23 One intent was to notify the operators that our
24 records indicated that the wells listed on this mail-out
25 were in noncompliance.

1 The second part of this mail-out was to ask the
2 operators, what did your records indicate for these wells?
3 And if your records indicated a different status to provide
4 documentation to show that -- and as Ms. Prouty indicated,
5 there was a large number of wells on this first mail-out,
6 there was a lot of them taken off on subsequent runs
7 because of the correction of the data from one operator to
8 our records.

9 Q. And what do you mean in terms of correction of
10 data? What kind of --

11 A. Just correction of the data in which the ONGARD
12 system, which is the master system in which this project is
13 being controlled by, the data there was actually corrected
14 with -- where it was incorrect in ONGARD.

15 Q. Well, for example, was it determined in some
16 instances that the wells were not, in fact, operated by the
17 people whom we had shown to be operated by?

18 A. That's one case. Another case was, there were a
19 lot of wells that were not shown properly TA'd or PA'd in
20 the ONGARD system.

21 Q. And were there some in which it was shown that
22 they actually were on production, but the production was
23 not reflected in our system for whatever reason?

24 A. There was a few, but that was the minor case.

25 Q. Okay. And when those errors were reported to you

1 by the operators, did you check them out to be sure that
2 their reports were correct, and not ours?

3 A. Yes, we utilized our files and the documentation
4 that was provided by the operators and had made the
5 necessary correction into ONGARD.

6 Q. And if it appeared after you and your staff
7 reviewed these that our information was not correct, did
8 you remove those wells from the inactive well list?

9 A. Yes. They would automatically be removed on the
10 next run, since they did not meet the criteria for inactive
11 wells.

12 Q. Okay. Now, were there some of the operators that
13 did not respond to your correspondence?

14 A. Yes, sir.

15 Q. And in September -- August or September of 2001,
16 did you prepare a list for me of operators that, according
17 to your records and files that are in Artesia, had not
18 responded to your previous inquires?

19 A. Yes, this was based on the data that was
20 requested for in the May, 2000, letter. And the letter was
21 sent out in September, and based on how the operators did
22 or did not respond was the context of the letter in
23 September.

24 Q. Okay. Now, I have -- Since you and I talked on
25 Tuesday in Artesia, I have been through your correspondence

1 files, and I know there were several letters sent out.
2 We're going to go over the correspondence that was in your
3 files, by operators, in just a minute. But in certain
4 instances these form letters, I believe, were sent out to
5 all of the operators that appeared on the inactive well
6 list; is that correct?

7 A. That's correct.

8 Q. And in some cases, copies of those letters with
9 specific well lists appear in these files, and in some
10 cases they do not, but would the absence of copies of those
11 letters in a specific operator's file mean that that
12 operator was not sent that letter?

13 A. Not necessarily. It would mean that there was no
14 record of it for that file.

15 MR. BROOKS: Okay, very good. We will be going
16 over those. I did not -- I remember -- I want to provide
17 copies of the exhibits that refer to specific operators to
18 the attorneys who have appeared for those operators, and I
19 believe, Mr. Carr, that you appear for Exxon Mobil and
20 Wiser; is that --

21 MR. CARR: No, I appear for Julian Ard.

22 MR. BROOKS: Oh, and you appeared for Exxon
23 Mobil --

24 MR. BRUCE: Yes, sir.

25 MR. BROOKS: -- and Wiser, and you are for Julian

1 EXAMINER CATANACH: -- letter? Okay, we can
2 provide that to you.

3 And Mr. Gum, do you know why these addresses are
4 different, or where did you get your mailing lists from?

5 THE WITNESS: My best recollection is, the letter
6 in September was sent to the same address as the May
7 letter. Then a call from this particular gentleman on the
8 January 11th letter indicated that the correspondence
9 needed to be sent to him personally at that particular
10 address. That's why they're different than these two
11 letters are.

12 EXAMINER CATANACH: Okay. You may proceed, Mr.
13 Brooks.

14 MR. BROOKS: Thank you.

15 DIRECT EXAMINATION (Resumed)

16 BY MR. BROOKS:

17 Q. Mr. Gum, I call your attention to what has been
18 marked as OCD Exhibit Number 8 and ask you to identify it.

19 A. Yes, this is another form letter, the September
20 8th, 2000, mail-out, that it was sent to General Minerals
21 Corp. at this particular address.

22 Q. And is this the same form letter as OCD Exhibit 6
23 that was just discussed in connection with Exxon and Mobil?

24 A. Yes, sir.

25 Q. Now once again, your file for General Minerals

1 Corp. does not reflect -- does not contain a copy of the
2 May, 2000, letter. Based on the fact that the September,
3 2000, letter was sent to General Minerals Corp. and a copy
4 is in the file, would it be a fair assumption that the May,
5 2000, letter was previously sent to General Minerals Corp.?

6 A. Yes, sir.

7 Q. And once again there is a copy of a return
8 receipt on the copy of Exhibit 8 that is being offered, and
9 would that indicate that a return receipt was received in
10 Artesia and filed with the correspondence to which it
11 related?

12 A. Yes, sir.

13 Q. I next call your attention to what is marked as
14 OCD Exhibit Number 9 and ask you to identify it.

15 A. This is a follow-up letter for the December 26th,
16 2000, mail-out to General Minerals at the same address as
17 the prior letter was sent to, with one exception: It was
18 not accepted at this point in time at the same address.

19 Q. And did this -- was this letter returned to the
20 Artesia Office of the Division?

21 A. Yes, sir.

22 Q. And the third page -- I call your attention to
23 the third page of Exhibit Number 9. Is that a copy of the
24 envelope that was returned to the Artesia Division and
25 filed with the correspondence --

1 A. Yes, sir.

2 Q. -- which it originally contained?

3 A. Right.

4 Q. Now, I will call your attention to the second
5 page of OCD Exhibit Number 9 and ask you if that was a
6 document that was attached to Exhibit Number 9 when it was
7 mailed to General Minerals Corp.

8 A. Yes, sir.

9 MR. BROOKS: And Mr. Examiner, I will ask that --
10 I will suggest the record reflects that the well listed on
11 the second page of Exhibit Number 9 is the one and only
12 well of General Minerals Corp. which is the subject of this
13 proceeding.

14 EXAMINER CATANACH: Okay. I do have a question
15 on this, Mr. -- If you're done.

16 MR. BROOKS: Go ahead, pass the witness.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Gum, I notice on Exhibit Number 8, the
20 mailing address is not quite the same as it is on Exhibit
21 Number 9.

22 And I don't know -- Do you have an opinion as to
23 why -- whether that had any bearing on whether the second
24 notice was not received by the Applicant or by the company?
25 The first one says 4133 North Lincoln Boulevard, the second

1 letter says 413 North Lincoln Boulevard.

2 A. Mr. Examiner, that may have been a typo on the
3 letter.

4 I do not see the address that it was sent to on
5 the envelope. I could not answer the question
6 specifically.

7 EXAMINER CATANACH: Okay.

8 MR. BROOKS: It would appear, Mr. Examiner, that
9 the address on the envelope was blocked out by a sticker
10 that was placed on the envelope by the Postal Service.

11 Q. (By Examiner Catanach) You've had no further
12 correspondence with this company after this final notice?

13 A. No.

14 MR. BROOKS: May I proceed?

15 EXAMINER CATANACH: Please.

16 DIRECT EXAMINATION (Resumed)

17 BY MR. BROOKS:

18 Q. Okay, the next is Guadalupe Operating Company,
19 LLP, and I will call your attention, in connection with
20 that operator, to OCD Exhibit Number 10 and ask you to
21 identify it.

22 A. Yes, this again is a form letter mailed out
23 September 8th, 2000, to all of the operators that did not
24 respond to the May 11th, 2000, letter.

25 Q. And would the fact that Exhibit Number 10 was

Daily Field Trip Report

Inspector: Gerry Guye

Trip Date: 02/01/2002

Depart: 8:00:00 AM

Return: 1:00:00 PM

Beginning Miles: 41,560

Ending Miles: 41,664

Vehicle Number: 43973

Total Field Time: 05:00

Total Miles: 104

Additional Activities:

Time Performed	Elapsed Time	API Well No	Well Name and Number	Operator	Inspection Type	Viol	Pass/Fail	MIT	ULSTR	Purpose	Well Type	Status	UIC?
10:08:01 AM	02:08:01 (hrs)	30-005-20348-00-00	DOUBLE L QUEEN UT 002	SAGA PETROLEUM	MIT Witnessed - Pressure	Yes			J 31 14 S 30 E	Injection - (All Types)		A	*
10:43:21 AM	00:35:20 (hrs)	30-015-03818-00-00	WEST HENSHAW PREM UNIT 001	SAGA PETROLEUM	Compliance Verification	No			L 2 16 S 30 E	Oil (Producing)		S	
10:47:03 AM	00:03:42 (hrs)	30-015-25477-00-00	FEDERAL CCC 001	GENERAL MINERALS	Compliance Verification	No			K 4 16 S 31 E	Oil (Producing)		A	
12:23:04 PM	01:36:01 (hrs)	30-015-21213-00-00	ETZ STATE UNIT 115	MAC K ENERGY	Plug / Plug Back	No			O 16 17 S 30 E	Oil (Producing)		P	

Summary for Trip Date: 02/01/2002 (4 Inspection records)

Total Hours: 04:23:04

Total Non-UIC Hours: 02:15:03

Total UIC Hours: 02:08:01

006
Division #7

GENERAL MINERALS CORP.
(405) 524-5227

ATION

Texas & New Mexico Inc.

Federal CCC Sec. 4

Tank Battery

160

K 16 S - 31 E

NM 1069

FEB 1 2002





CASE 12739: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring Coulthurst Management & Investments Inc. to Bring Twelve (12) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties, Sandoval County, New Mexico. The Applicant seeks an order requiring Coulthurst Management & Investments Inc., the operator of twelve inactive wells located in Sandoval County, New Mexico, to bring said wells into compliance with OCD Rule 201.B by either restoring said wells to production or beneficial use, plugging and abandoning said wells or securing Division approval for temporary abandonment thereof. The affected wells are the following:

WELL NAME AND NUMBER	API NO.	UNIT/STR
Ann #003	30-043-05040	A-33-18N-03W
Ann #005	30-043-07011	A-33-18N-03W
Ann #006	30-043-60003	A-33-18N-03W
Ann #015	30-043-20248	A-33-18N-03W
Darla #001	30-043-20678	H-33-18N-03W
Darla #002	30-043-05035	H-33-18N-03W
Darla #007	30-043-07017	H-33-18N-03W
Darla #016	30-043-20247	H-33-18N-03W
Erin #001	30-043-20861	C-33-18N-03W
Erin #003	30-043-20868	F-33-18N-03W
Erin #004	30-043-20869	F-33-18N-03W
Jenny #001	30-043-20894	O-28-18N-03W

Upon application of Coulthurst Management & Investments Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

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

**CASE NO. 12739
ORDER NO. R-11711**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DIVISION DISTRICT III IN AZTEC, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER REQUIRING CERTAIN OPERATORS TO BRING ONE HUNDRED TWENTY-ONE (121) WELLS INTO COMPLIANCE WITH RULE 201.B AND ASSESSING APPROPRIATE CIVIL PENALTIES; SAN JUAN, RIO ARRIBA, SANDOVAL, AND MCKINLEY COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 18, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of January, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) There are nineteen (19) respondents named in this Application. At the October 18, 2001 hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel, and Respondents Central Resources, Inc. and NM&O Operating Company appeared through counsel. The remaining respondents named in the Application did not appear, either by filing written appearance or by appearance at the hearing.

(3) By this Application, the Division seeks an order directing the named respondents to bring certain wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii) securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203.

(4) The Application alleges that Julius Chodrow of Albuquerque, New Mexico is the operator of the Ute Well No. 1 (**API No. 30-045-60045**), located 1950 feet from the North line and 2310 feet from the West line (Unit F) of Section 20, Township 31 North, Range 15 West, NMPM, San Juan County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(5) However, the attorney for the Division represented that the Ute Well No. 1 is located on land under the jurisdiction of the Ute Mountain Ute Indian Tribe, and that the Division does not have an agreement with the tribe regarding responsibility for this well. Accordingly, the Division requested that this case be dismissed as to Julius Chodrow, without prejudice.

(6) The Application alleges that Keystone Energy, LLC of Farmington, New Mexico is the operator of the Egan Well No. 1 (**API No. 30-039-82239**), located 1190 feet from the North line and 810 feet from the East line (Unit A) of Section 18, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(7) The Application further alleges that TASCO of Farmington, New Mexico is the operator of the following described eight wells located on the Navajo Indian Reservation all in Township 29 North, Range 19 West, NMPM, San Juan County, New Mexico, and that said wells are inactive and not in compliance with Division Rule 201.B:

- (a) Navajo Well No. 27 (**API No. 30-045-20435**), located 2080 feet from the South line and 330 feet from the West line (Unit L) of Section 1;
- (b) Navajo Well No. 134 (**API No. 30-045-08677**), located 750 feet from the South line and 1900 feet from the East line (Unit O) of Section 2;
- (c) Navajo Well No. 151 (**API No. 30-045-08529**), located 1700 feet from the South line and 900 feet from the West line (Unit L) of Section 12;
- (d) Navajo Well No. 153 (**API No. 30-045-08506**), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 12;

- (e) Navajo Well No. 155 (API No. 30-045-08430), located 330 feet from the North line and 2310 feet from the East line (Unit B) of Section 13;
- (f) Navajo Well No. 157 (API No. 30-045-08632), located 760 feet from the North line and 585 feet from the West line (Unit D) of Section 12;
- (g) Navajo Well No. 158 (API No. 30-045-08536), located 1980 feet from the South and West lines (Unit K) of Section 12; and
- (h) Navajo Well No. 208 (API No. 30-045-21073), located 1750 feet from the North line and 1070 feet from the East line (Unit H) of Section 2.

(8) However, the attorney for the Division represented that uncertainty exists as to whom to hold responsible for the above-described Egan Well No. 1, and for the Navajo Wells No. 27, 134, 151, 153, 155, 157, 158 and 208, and requested that this case be dismissed as to Keystone Energy, LLC, and as to TASCO, without prejudice.

(9) The attorney for the Division further represented that the following-named respondents have agreed to bring the wells that they operate into compliance in accordance with a work plan approved by the supervisor of the Aztec District Office of the Division. The Division accordingly requested that the Application in this case, as to these operators and the wells operated by them, be severed, assigned a separate case number, and continued until the January 24, 2002 Division Examiner Hearing Docket, in order to allow these operators an opportunity to voluntarily bring their wells into compliance with Division rules. The operators as to whom the Division requests severance and continuance are:

Chaparral Energy, Inc.
Clayton Investment Co.
Hart Oil & Gas, Inc.
J.C. Well Service
Jimmy Roberson Energy Corp.
La Quinta Oil Co.
Manana Gas Inc.
Mountain States Petroleum Corp.
N.M. & O. Operating Co.
Noel Reynolds

Phoenix Hydrocarbons Operating Corp.
R-J Enterprises
Smokey Oil Company
Torreon Oil Co.
U.S. Enercorp, LLC

(10) The Division's request to continue this case to the January 24, 2002 Examiner Docket as to the operators described above should be granted. The case to be heard on January 24, 2002 should be designated Case No. 12739-A.

(11) Coulthurst Investment Company ("Coulthurst") of Berkeley, California is the operator of the following-described twelve wells all located in Township 18 North, Range 3 West, NMPM, Sandoval County, New Mexico:

- (a) Ann Well No. 3 (**API No. 30-043-05040**), located 902 feet from the North line and 576 feet from the East line (Unit A) of Section 33;
- (b) Ann Well No. 5 (**API No. 30-043-07011**), located 994 feet from the North line and 321 feet from the East line (Unit A) of Section 33;
- (c) Ann Well No. 6 (**API No. 30-043-60003**), located 694 feet from the North line and 667 feet from the East line (Unit A) of Section 33;
- (d) Ann Well No. 15 (**API No. 30-043-20248**), located 1021 feet from the North line and 1121 feet from the East line (Unit A) of Section 33;
- (e) Darla Well No. 1 (**API No. 30-043-20678**), located 1750 feet from the North line and 1230 feet from the East line (Unit H) of Section 33;
- (f) Darla Well No. 2 (**API No. 30-043-05035**), located 1670 feet from the North line and 1014 feet from the East line (Unit H) of Section 33;
- (g) Darla Well No. 7 (**API No. 30-043-07017**), located 1347 feet from the North line and 1166 feet from the East line (Unit H) of Section 33;

- (h) Darla Well No. 16 (**API No. 30-043-20247**), located 1904 feet from the North line and 1158 feet from the East line (Unit H) of Section 33;
- (i) Erin Well No. 1 (**API No. 30-043-20861**), located 990 feet from the North line and 1650 feet from the West line (Unit C) of Section 33;
- (j) Erin Well No. 3 (**API No. 30-043-20868**), located 1650 feet from the North and West line (Unit F) of Section 33;
- (k) Erin Well No. 4 (**API No. 30-043-20869**), located 1650 feet from the North line and 2310 feet from the West line (Unit F) of Section 33; and
- (l) Jenny Well No. 1 (**API No. 30-043-20894**), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 28.

(12) With respect to Coulthurst, the Division presented testimony that demonstrates:

- (a) the above-described Coulthurst-operated wells have not produced any hydrocarbons since before 1997, and are not presently equipped to produce; and
- (b) the Division has notified Coulthurst that the above-described wells are not in compliance with Rule 201.B, and demanded that Coulthurst bring said wells into compliance.

(13) The above-described Coulthurst-operated wells are not in compliance with Division Rule 201.B.

(14) Coulthurst knowingly and willfully failed to comply with Division Rule 201.B and pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of Twelve Thousand Dollars (\$12,000) (\$1,000 for each non-compliant well) should be assessed against Coulthurst for this knowing and willful violation.

(15) Coulthurst should be ordered to bring its wells as described above into compliance with Division Rule 201.B.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the request of the New Mexico Oil Conservation Division ("Division") through its counsel, this Application insofar as it relates to Julius Chodrow, Keystone Energy, LLC and TASCO is hereby dismissed.

(2) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Chaparral Energy, Inc., Clayton Investment Co., Hart Oil & Gas, Inc., J.C. Well Service, Jimmy Roberson Energy Corp., La Quinta Oil Co., Manana Gas Inc., Mountain States Petroleum Corp., N.M.&O. Operating Co., Noel Reynolds, Phoenix Hydrocarbons Operating Corp., R-J Enterprises, Smokey Oil Company, Torreon Oil Co. and U.S. Enercorp, LLC, is severed out of this Case No. 12739. The severed case is hereby denominated Case No. 12739-A. The Division administrator is directed to open a case file for the severed Case No. 12739-A, and to place therein true copies of the Application and Notice filed in this Case No. 12739.

(3) Case No. 12739-A is continued, and set for hearing before the Division on January 24, 2002.

(4) This order is entered in this Case No. 12739 only.

(5) Pursuant to the Application of the Division, Coulthurst Investment Co. of Berkeley, California ("Coulthurst") is hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring each of its wells identified in Finding Paragraph No. (11) of this order into compliance with Rule 201.B by accomplishing one of the following with respect to each well:

- (a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division approved plugging program;
- (b) restoring said well to production; or
- (c) causing said well to be temporarily abandoned with Division approval in accordance with Rule 203.

(6) As to any wells that the operator fails to bring into compliance as and when required by this Order, the supervisor of the Aztec district office of the Division and Division legal counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operator or by the Division, and to forfeit the

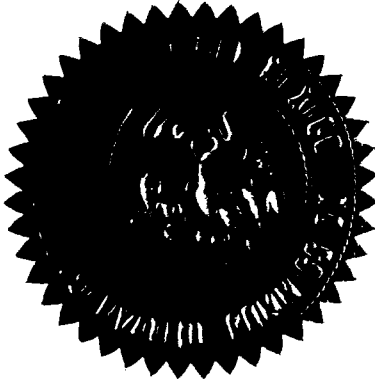
financial assurance, if any, provided by the operator pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, or take other actions as appropriate.

(7) Administrative penalties are hereby assessed against Coulthurst in the amount of \$12,000 (\$1,000 for each well) for knowingly and willfully failing to bring its above-described wells into compliance after receiving notice from the Division to do so.

(8) The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrotenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, unless within such time application is filed by the operator for *de novo* review by the New Mexico Oil Conservation Commission of the penalty hereby assessed.

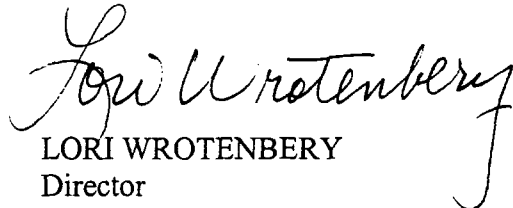
(9) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

**Coulthurst
Management and Investments**

1990 Marin Ave.
Berkeley, CA 94707

02 JAN 32 AM 9:45 Phone and Fax (510) 527-2659



Write an e-mail message

From: jcoulthurst@webtv.net.
(John Coulthurst)

To: New Mexico Oil Conservation Commission, Attn. Lori
Wrotenbery, Director

Cc:

Subject: De Novo Review, Case 12739 and Order No. R-11711

Jan. 28, 2002

Dear Lori,

Please consider this letter as a formal request for de Novo Review by the NMOCC as mentioned in your order dated 1/11/2002 sent to Coulthurst Management & Inv. Inc.

Mr. David Brooks has been very helpful re this request, and I thank him.

Looking forward to your response.

Sincerely yours,

A handwritten signature in cursive script that reads "John Coulthurst".

John Coulthurst
Coulthurst Management & Investments Inc.



PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	OCD	PROD	UL	YEAR	MTH	GAS	OIL	WATER	INJ
5337	COULTHURST MGT & INV INC	ANN #003	30-043-05040	A-33-18N-03W	A	1997	1	1997	1				
						1997	2	1997	2				
						1997	3	1997	3				
						1997	4	1997	4				
						1997	5	1997	5				
						1997	6	1997	6				
						1997	7	1997	7				
						1997	8	1997	8				
						1997	9	1997	9				
						1997	10	1997	10				
						1997	11	1997	11				
						1997	12	1997	12				
						1998	1	1998	1				
						1998	2	1998	2				
						1998	3	1998	3				
						1998	4	1998	4				
						1998	5	1998	5				
						1998	6	1998	6				
						1998	7	1998	7				
						1998	8	1998	8				
						1998	9	1998	9				
						1998	10	1998	10				
						1998	11	1998	11				
						1998	12	1998	12				
						1999	1	1999	1				
						1999	2	1999	2				
						1999	3	1999	3				
						1999	4	1999	4				
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						1999	7	1999	7				
						1999	8	1999	8				
						1999	9	1999	9				
						1999	10	1999	10				
						1999	11	1999	11				
						1999	12	1999	12				
						2000	1	2000	1				
						2000	2	2000	2				
						2000	3	2000	3				
						2000	4	2000	4				
						2000	5	2000	5				
						2000	6	2000	6				
						2000	7	2000	7				
						2000	8	2000	8				
						2000	9	2000	9				
						2000	10	2000	10				
						2000	11	2000	11				
						2000	12	2000	12				
						2001	1	2001	1				
						2001	2	2001	2				

OIL COMPANY
Case # 12739
Submittal Date
Hearing Date 3/26/02
OCD

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE	OPERATOR	WELL NAME	API	ULSTR	OCD PROD UL YEAR	PROD MTH	GAS	OIL	WATER	INJ
5337	COULTHURST MGT & INV INC	ANN #003	30-043-05040	A-33-18N-03W	A	2001 3				
						2001 4				
						2001 5				
						2001 6				
						2001 7				
						2001 8				
						2001 9				
						2001 10				
						2001 11				
						2001 12				
						2002 1				
			30-043-05040							
5337	COULTHURST MGT & INV INC	ANN #005	30-043-07011	A-33-18N-03W	A	1997 1				
						1997 2				
						1997 3				
						1997 4				
						1997 5				
						1997 6				
						1997 7				
						1997 8				
						1997 9				
						1997 10				
						1997 11				
						1997 12				
						1998 1				
						1998 2				
						1998 3				
						1998 4				
						1998 5				
						1998 6				
						1998 7				
						1998 8				
						1998 9				
						1998 10				
						1998 11				
						1998 12				
						1999 1				
						1999 2				
						1999 3				
						1999 4				
						1999 5				
						1999 6				
						1999 7				
						1999 8				
						1999 9				
						1999 10				
						1999 11				
						1999 12				

As of March 22,2002
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PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	OCD	PROD	PROD	GAS	OIL	WATER	INJ
					UL	YEAR	MTH				
5337	COULTHURST MGT & INV INC	ANN #006	30-043-60003	A-33-18N-03W	A	1998	11				
						1998	12				
						1999	1				
						1999	2				
						1999	3				
						1999	4				
						1999	5				
						1999	6				
						1999	7				
						1999	8				
						1999	9				
						1999	10				
						1999	11				
						1999	12				
						2000	1				
						2000	2				
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						2001	5				
						2001	6				
						2001	7				
						2001	8				
						2001	9				
						2001	10				
						2001	11				
						2001	12				
						2002	1				
			30-043-60003								
			30-043-20248	A-33-18N-03W	A	1997	1				
						1997	2				
						1997	3				
						1997	4				
						1997	5				
						1997	6				
						1997	7				
						1997	8				

As of March 22,2002
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PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	OCD PROD UL YEAR	PROD MTH	GAS	OIL	WATER	INJ
5337	COULTHURST MGT & INV INC	ANN #015	30-043-20248	A-33-18N-03W	A	1997 9				
					1997 10					
					1997 11					
					1997 12					
					1998 1					
					1998 2					
					1998 3					
					1998 4					
					1998 5					
					1998 6					
					1998 7					
					1998 8					
					1998 9					
					1998 10					
					1998 11					
					1998 12					
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					2000 10					
					2000 11					
					2000 12					
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					2001 2					
					2001 3					
					2001 4					
					2001 5					
					2001 6					
					2001 7					
					2001 8					
					2001 9					
					2001 10					

As of March 22,2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	ULSTR	OCD UL	PROD YEAR	PROD MTH	GAS	OIL	WATER	INJ
5337 COULTHURST MGT & INV INC	DARLA #001	30-043-20678	H-33-18N-03W	H	2000	9				
					2000	10				
					2000	11				
					2000	12				
					2001	1				
					2001	2				
					2001	3				
					2001	4				
					2001	5				
					2001	6				
					2001	7				
					2001	8				
					2001	9				
					2001	10				
					2001	11				
					2001	12				
					2002	1				

30-043-20678										
5337 COULTHURST MGT & INV INC	DARLA #002	30-043-05035	H-33-18N-03W	H	1997	1				
					1997	2				
					1997	3				
					1997	4				
					1997	5				
					1997	6				
					1997	7				
					1997	8				
					1997	9				
					1997	10				
					1997	11				
					1997	12				
					1998	1				
					1998	2				
					1998	3				
					1998	4				
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					1998	6				
					1998	7				
					1998	8				
					1998	9				
					1998	10				
					1998	11				
					1998	12				
					1999	1				
					1999	2				
					1999	3				
					1999	4				
					1999	5				
					1999	6				

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	OCD PROD UL YEAR	PROD MTH	GAS	OIL	WATER	INJ
5337	COULTHURST MGT & INV INC	DARLA #002	30-043-05035	H-33-18N-03W	H	1999 7				
						1999 8				
						1999 9				
						1999 10				
						1999 11				
						1999 12				
						2000 1				
						2000 2				
						2000 3				
						2000 4				
						2000 5				
						2000 6				
						2000 7				
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						2000 10				
						2000 11				
						2000 12				
						2001 1				
						2001 2				
						2001 3				
						2001 4				
						2001 5				
						2001 6				
						2001 7				
						2001 8				
						2001 9				
						2001 10				
						2001 11				
						2001 12				
						2002 1				
			30-043-05035							
5337	COULTHURST MGT & INV INC	DARLA #007	30-043-07017	H-33-18N-03W	H	1997 1				
						1997 2				
						1997 3				
						1997 4				
						1997 5				
						1997 6				
						1997 7				
						1997 8				
						1997 9				
						1997 10				
						1997 11				
						1997 12				
						1998 1				
						1998 2				
						1998 3				
						1998 4				

As of March 22,2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	OCD PROD	PROD	GAS	OIL	WATER	INJ
					UL	YEAR	MTH			
5337	COULTHURST MGT & INV INC	DARLA #016	30-043-20247	H-33-18N-03W	H	1997	3			
						1997	4			
						1997	5			
						1997	6			
						1997	7			
						1997	8			
						1997	9			
						1997	10			
						1997	11			
						1997	12			
						1998	1			
						1998	2			
						1998	3			
						1998	4			
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						1998	12			
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						2000	5			
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						2000	8			
						2000	9			
						2000	10			
						2000	11			
						2000	12			
						2001	1			
						2001	2			
						2001	3			
						2001	4			

As of March 22,2002
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PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	ULSTR	UL	PROD YEAR	PROD MTH	GAS	OIL	WATER	INJ
5337 COULTHURST MGT & INV INC ERIN #003		30-043-20868	F-33-18N-03W	F	1999	1				
					1999	2				
					1999	3				
					1999	4				
					1999	5				
					1999	6				
					1999	7				
					1999	8				
					1999	9				
					1999	10				
					1999	11				
					1999	12				
					2000	1				
					2000	2				
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					2000	4				
					2000	5				
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					2000	11				
					2000	12				
					2001	1				
					2001	2				
					2001	3				
					2001	4				
					2001	5				
					2001	6				
					2001	7				
					2001	8				
					2001	9				
					2001	10				
					2001	11				
					2001	12				
					2002	1				
		30-043-20868								
5337 COULTHURST MGT & INV INC ERIN #004		30-043-20869	F-33-18N-03W	F	1997	1				
					1997	2				
					1997	3				
					1997	4				
					1997	5				
					1997	6				
					1997	7				
					1997	8				
					1997	9				
					1997	10				

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	OCD	PROD	PROD	GAS	OIL	WATER	INJ
					UL	YEAR	MTH				
	5337 COULTHURST MGT & INV INC	ERIN #004	30-043-20869	F-33-18N-03W	F	1997	11				
						1997	12				
						1998	1				
						1998	2				
						1998	3				
						1998	4				
						1998	5				
						1998	6				
						1998	7				
						1998	8				
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						2001	8				
						2001	9				
						2001	10				
						2001	11				
						2001	12				

As of March 22,2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	ULSTR	OCD UL	PROD YEAR	PROD MTH	GAS	OIL	WATER	INJ
5337 COULTHURST MGT & INV INC	ERIN #004	30-043-20869	F-33-18N-03W	F	2002	1				
		30-043-20869								
5337 COULTHURST MGT & INV INC	JENNY #001	30-043-20894	O-28-18N-03W	O	1997	1				
					1997	2				
					1997	3				
					1997	4				
					1997	5				
					1997	6				
					1997	7				
					1997	8				
					1997	9				
					1997	10				
					1997	11				
					1997	12				
					1998	1				
					1998	2				
					1998	3				
					1998	4				
					1998	5				
					1998	6				
					1998	7				
					1998	8				
					1998	9				
					1998	10				
					1998	11				
					1998	12				
					1999	1				
					1999	2				
					1999	3				
					1999	4				
					1999	5				
					1999	6				
					1999	7				
					1999	8				
					1999	9				
					1999	10				
					1999	11				
					1999	12				
					2000	1				
					2000	2				
					2000	3				
					2000	4				
					2000	5				
					2000	6				
					2000	7				
					2000	8				
					2000	9				
					2000	10				

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE	OPERATOR	WELL NAME	API	ULSTR	OCD	PROD	PROD	GAS	OIL	WATER	INJ
						UL	YEAR	MTH				
5337		COULTHURST MGT & INV INC	JENNY #001	30-043-20894	O-28-18N-03W	O	2000	11				
							2000	12				
							2001	1				
							2001	2				
							2001	3				
							2001	4				
							2001	5				
							2001	6				
							2001	7				
							2001	8				
							2001	9				
							2001	10				
							2001	11				
							2001	12				
							2002	1				

30-043-20894

As of March 22, 2002
If month and year appear with no amounts, zero volumes
were reported.

AFFIDAVIT OF NOTICE

Before me, the undersigned authority, on this day personally appeared DAVID K. BROOKS, well known to me to be a credible person, and after being duly sworn, did solemnly declare upon his oath as follows:

"My name is David K. Brooks. I am employed by the Energy, Minerals and Natural Resources Department of the State of New Mexico as Assistant General Counsel.

"I am attorney of record for the New Mexico Oil Conservation Division, as Applicant, in Case No. 12739, Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring One Hundred Twenty-One (121) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; San Juan, Rio Arriba, Sandoval and McKinley Counties, New Mexico.

"On September 27, 2001, I prepared the letter a letter to all of the operators named as respondents in the Application filed in Case No. 12739. Attachment A to this Affidavit is a true copy of the letter that I prepared. I then caused a copy of Attachment A to be mailed to each of the operators named on the second page of Attachment A, by Certified Mail, Return Receipt Requested. A copy of the Application filed with the Division is Case No. 12739 was enclosed with each letter.

"A copy of the notification letter (Attachment A) was sent to Coulthurst Mgt. & Inv., Inc., by Certified Mail, Return Receipt Requested, as evidenced by receipt for certified mail a true copy whereof is attached hereto as Attachment B. Such notification letter was not returned to the Division, nor has a return receipt been received by the Division as of this date.

"Personnel of the Division acting under my direction caused notice of the hearing scheduled for October 18, 2001 in this Case No. 12739 to be published in the Observer, a newspaper of general circulation in Sandoval County, New Mexico, on October 3, 2001. A true copy of the notice published in the Artesia Daily Press is attached hereto as Attachment C."

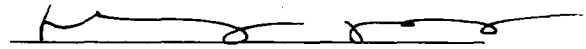
Further Affiant sayeth not.

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 2
CASE NO.	12739

David K. Brooks
David K. Brooks

OIL CONSERVATION DIVISION	
CASE NO.	12739
Submitter	OCD
Hearing Date	3/26/02

Subscribed and sworn to in the City of Santa Fe, County of Santa Fe, State of New Mexico, this 18th day of October, 2001. Witness my hand and seal of office.



Notary Public
State of New Mexico

[SEAL]

My commission expires 2/18, 2003



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

**Governor
Jennifer A. Salisbury
Cabinet Secretary**

Lori Wrotenbery

**Director
Oil Conservation Division**

September 27, 2001

ADDRESS LIST

VIA: CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Re: Case No. 12739: Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring One Hundred Twenty-One (121) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Eddy and Chaves Counties, New Mexico.

Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the referenced Application, a copy of which is enclosed herewith, seeking an Order requiring you to bring specified inactive wells in San Juan, Rio Arriba, Sandoval and McKinley Counties, New Mexico into compliance with Division Rule 201.B, by either restoring such wells to production or beneficial use, permanently abandoning or temporarily abandoning them. In addition, the Division seeks assessment of civil penalties for your failure to comply with previous administrative notices to bring these wells into compliance.

A hearing on this Application will take place before a Division hearing officer on Thursday, October 18, 2001, at 8:15 a.m., in the Division Hearing Room, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause, if any there be, why an order should not be entered as requested in the Application.

Operational inquiries concerning the subject of this hearing should be directed to Mr. Frank Chavez, District Supervisor, Oil Conservation Division, 1000 Rio Brazos Road, Aztec, NM 87410; phone (505)-334-6178. Counsel may contact the undersigned in the Santa Fe office at (505)-476-3450.

Very truly yours,

David K. Bevilacqua

David K. Brooks
Assistant General Counsel

CHAPARRAL ENERGY INC
701 CEDAR LAKE BLVD
OKLAHOMA CITY, OK 73114

CLAYTON INVESTMENT CO
710 E 20TH
FARMINGTON, NM 87401

COULTHURST MGT & INV INC
1990 MARIN AVE
BERKELEY, CA 94707

10141HART OIL & GAS INC
PO BOX 307
FARMINGTON, NM 87499

J C WELL SERVICE
PO BOX 51
FARMINGTON, NM 87499

JIMMY ROBERSON ENERGY
CORPORATION
110 LINDA
TEXARKANA, TX 75503

JULIUS CHODOROW
9811 SNOW HEIGHT NE
ALBUQUERQUE, NM 87110

KEYSTONE ENERGY LLC
PO BOX 962
FARMINGTON, NM 87499

LAQUINTA OIL CO
PO BOX 356
FLORA VISTA, NM 87415

MANANA GAS INC
2520 TRAMWAY TERRACE CT NE
ALBUQUERQUE, NM 87122

NM & O OPERATING CO
6 E 5TH ST, STE 900
TULSA, OK 74103

MOUNTAIN STATES PETROLEUM CORP
PO BOX 1936
ROSWELL, NM 88201

NOEL REYNOLDS
PO BOX 356
FLORA VISTA, NM 87415

PHOENIX HYDROCARBONS OPERATING
CORP
PO BOX 3638
MIDLAND, TX 79702

R - J ENTERPRISES
PO BOX 51
FARMINGTON, NM 87499-0051

SMOKEY OIL COMPANY
PO BOX 2360
CASPER, WY 82602

TASCO

TORREON OIL CO
PO BOX 356
FLORA VISTA, NM 87415

U S ENERCORP LLC
153 TREELINE PARK, STE 300
SAN ANTONIO, TX 78209-1880

U.S. Postal Service
CERTIFIED MAIL RECEIPT

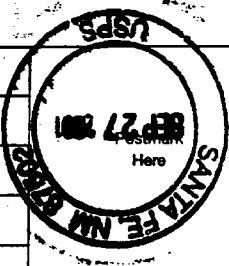
(Domestic Mail Only; No Insurance Coverage Provided)

7000 1670 000A 7524 3761

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

Sent To
Coulthurst Mgt. & Inv. Inc.
Street, Apt. No., or PO Box No.
1990 Marin Ave.
City, State, ZIP+4
Berkeley, CA 94707

PS Form 3800, May 2000 See Reverse for Instructions



Attachment **A**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL #7000 0520 0020 4945 9359
RETURN RECEIPT REQUESTED

September 25, 2000

5337
COULTHURST MGT & INV INC
1990 MARIN AVE
BERKELEY, CA 94707

LETTER TO THE	
OIL CONSERVATION DIVISION	
Case No.	12739 3
Submitted by	OCD
Hearing Date	3/26/02

Re: Current Status of Oil and Gas Wells

In May of this year, the Oil Conservation Division ("Division") sent a letter to you setting forth the Division's information on wells for which you are the operator of record. The letter requested a response with additional information. The Division has had no response to the letter. The Division presumes you agree with the information in the letter regarding your inactive wells.

The wells have not shown production or been reported on Form C-115 for more than one year. The wells are not in compliance with the Division's rules and the New Mexico Oil and Gas Act.

You are hereby directed to bring these wells into compliance within 60 days. In the alternative, within 30 days you may submit a compliance plan including a schedule of activities with dates.

Sincerely,

Frank T. Chavez
District Supervisor
ftchavez@state.nm.us

FTC/mk

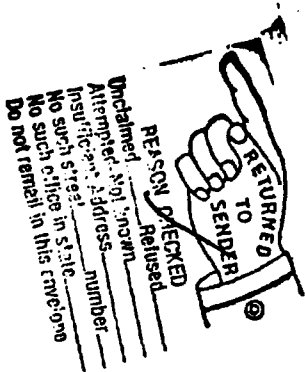
LETTER EXAMINER SIGNATURE	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 3
CASE NO.	12739

NEW MEXICO ENERGY MINERALS & NATURAL RESOURCES DEPT.
OIL CONSERVATION DIVISION
1000 RIO BRAZOS ROAD
AZTEC NM 87410

CERTIFIED MAIL



7000 0520 0020 4945 9359



REASON CHECKED
Undelivered Not known
Attempted Address number
Insufficient address
No such office in State
Do not remain in this envelope

5337
COULTHURST MGT & INV INC
~~1000 MOUNTAIN AVE~~
~~BERKELEY, CA 94702~~

10/7/02

NAME _____
1st Notice _____
2nd Notice 10/10
Return 10/14

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
OCD	ENCL NO 4
CASE NO.	12739

**Coulthurst
Management and Investments**
1900 Marin Ave.
Berkeley, CA 94707

John Coulthurst

Phone and Fax (510) 527-2850

10/16

Charles Perrin

Charlie -

Here's my response to your
call.

I'll call you next week.

Merryme, keep your fingers crossed,
I am getting on my flight IN 45
Minutes!

Regards

John Coulthurst

RECEIVED THE	
OIL CONSERVATION DIVISION	
Case No. 12739	4
Subject	OCD
Handing Date	3/26/02

BEFORE EXAMINER STOGER	
OIL CONSERVATION DIVISION	
OCD	5
CASE NO.	12739

Reply to an e-mail message · Tuesday, October 16, 2001 10:31:19 AM · Page 1 of 2
WebTV Networks

Coulthurst Management and Investments

1890 Marin Ave.
Berkeley, CA 94707

Phone and Fax (510) 527-2659



Reply to an e-mail message

From: jcoulthurst@webtv.net.
(John Coulthurst)

To: CPerrin@state.nm.us (Perrin, Charlie)

Subject: Re: 10-18-01.pdf

Oct. 16, 2001

Dear Charlie,

Thank you for your call and e-mail which were received about 4 PM Friday, Oct. 12th.

I RESPECTFULLY REQUEST A 30 DAY DELAY FOR THE FOLLOWING REASONS:

1. I never received either letter about an information request or notice of a meeting. Also, my web tv internet connection won't open your e-mail attachment.

2. An 8 hour business day(Monday) is not sufficient for a detailed answer.

3. I alerted you that I have a business meeting in Boston Thurs and am leaving today, Oct. 16th.

4. The BLM has already been working with me for over 1 year about the subject of development plans which will use the currently unused wells as water sources for a water flood project. They received my application in the summer of 2000 and are actively working on the paperwork along with their Geological Staff. They have been very helpful to me and I am sure you want our field to have activity leading to increase production. Isn't that our common goal?

I will contact you to set up a conference call with the BLM about our development plan at the beginning of next week.

Obviously, neither you or I are responsible for the U.S. Postal service imperfections. I have always repoded to the BLM notices immediately and would have done so with you. It would have saved us both some inconveniences and improved communications between the State, the BLM and Coulthurst Management.

Thanking you for your consideration,

John Coulthurst

John Coulthurst

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
OCD	6
CASE NO.	12739

RECEIVED THE OIL CONSERVATION DIVISION	5
CASE NO. 12739	OCD 3/26/02

1 only 24 hours' notice, and accordingly they request 30
2 days' continuance of what they refer to as "the meeting",
3 so they obviously misunderstand the nature of this
4 proceeding, would seem to me to be somewhat disingenuous in
5 view of their failure or refusal to accept the Division's
6 mailings.

7 However, I call this to your attention before
8 presenting my evidence in case your Honor construes this as
9 a request for a continuance which you are disposed to
10 grant.

11 Thank you.

12 EXAMINER STOGNER: No, I'm not going to consider
13 this a request for continuance at this time. I'd like for
14 you to go ahead and proceed, and perhaps after we hear the
15 testimony I'll make the decision at that time.

16 MR. BROOKS: Very good. The Division will call
17 Mr. Frank Chavez.

18 May I proceed?

19 EXAMINER STOGNER: Please.

20 FRANK T. CHAVEZ,

21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BROOKS:

25 Q. Would you state your name for the record, please?

CLERK	
Case No.	12739
Submitted by	OCD
Received	3/26/02
	6

1 A. My name is Frank Chavez.

2 Q. And where do you reside?

3 A. I reside in Aztec, New Mexico.

4 Q. And how are you employed?

5 A. I'm the District Supervisor for the Oil
6 Conservation Division District 3 Office in Aztec.

7 Q. And in that capacity are you the person who is
8 responsible for the administration of the District's
9 regulation of oil and gas in District 3?

10 A. Yes, I am.

11 Q. And what counties does District 3 include?

12 A. District 3 includes San Juan, Rio Arriba,
13 Sandoval and McKinley Counties.

14 Q. Okay. Mr. Chavez, have you been involved in what
15 has been referred to in previous proceedings as the
16 inactive well project that is being conducted by the
17 Division?

18 A. Yes, I have.

19 Q. And would you briefly review for the Examiner how
20 you have proceeded in regard to the inactive well project,
21 what your function has been?

22 A. In the District we've been responsible for
23 following on notifying operators of wells that have been
24 out of compliance with Oil Conservation Division Rules and
25 Regulations, wells that have been inactive and not in

1 compliance with the temporary abandonment rules, or wells
2 for which operators have not filed production reports,
3 C-115s, as are required by OCD Regulations.

4 We sent an initial mailing out to operators who
5 had met those criteria of having inactive wells or
6 unreported wells in May of the year 2000. We received
7 responses back, but in September of year 2000 we sent
8 letters to those operators who hadn't responded to the May
9 mailing.

10 The purpose of bringing Coulthurst for this
11 particular hearing is that they did not respond to the May
12 mailing, nor did they accept the September 25th letter that
13 we sent to them concerning their response to the initial
14 mailing.

15 Q. Okay. To clarify for the purposes of the record
16 and the Examiner's understanding of this, there was a mass
17 mailing mailed out in May -- approximately May 11th, 2000;
18 is that correct?

19 A. I think that's correct.

20 Q. And was that mailed from the Santa Fe office?

21 A. Yes, it was.

22 Q. And was Jane Prouty responsible for generating
23 the list of people to whom that was to be mailed?

24 A. That's correct.

25 Q. Okay, Ms. Prouty will be our next witness, and I

1 will go into that with her. But then you were notified as
2 to the people to whom that mailing had been sent, correct?

3 A. That's correct, we received a list of the
4 operators that had been notified and a list of wells that
5 met those criteria.

6 Q. Very good. And one of the operators to whom that
7 notice was sent was Coulthurst Management and Investment,
8 Inc., correct?

9 A. That's correct.

10 Q. And did you receive any reply to that May 11th,
11 2000, letter from Coulthurst Management and Investment,
12 Inc.?

13 A. No, we did not.

14 Q. Okay. Now, would you look at your exhibit stack,
15 and I will call your attention to what has been marked as
16 OCD Exhibit 3, and ask you to identify it.

17 A. Is it this one?

18 Q. Yes. Your exhibits -- you don't have a marked --

19 A. I don't have the numbers.

20 Q. -- marked set of exhibits. Let me get you a
21 marked set of exhibits.

22 A. Thank you.

23 Q. That's all Exhibit 1, so just go on to the next
24 one. There we go.

25 A. Exhibit Number 3 is a copy of a certified mail,

1 return receipt requested, letter that my office sent to
2 Coulthurst Management and Investment Company on September
3 25th of the year 2000.

4 Q. Okay, and I will call your attention to the
5 address. Would you read into the record the address to
6 which that was sent?

7 A. The address is 1990, Marin Avenue, Berkeley,
8 California 94707.

9 Q. Okay. Now I will call your attention to what has
10 been marked as Exhibit 4 and ask if you can identify it.

11 A. This is a copy of the envelope that this letter
12 was sent in as it was returned to our office.

13 Q. Okay. And we'll note for the record that Exhibit
14 Number 4 has what appears to be a postal stamp that says
15 "Returned to Sender", and below that the stamp says "Reason
16 Checked", and of the various reasons that are given on the
17 stamp the one that is checkmarked is "Unclaimed".

18 Now, Mr. Chavez, did you ever receive any further
19 correspondence from Coulthurst regarding the inactive well
20 project up to this week?

21 A. No, we did not.

22 Q. And this week, after this Application had been
23 filed, did you attempt to contact Coulthurst?

24 A. Yes, Mr. Perrin from my office made several
25 attempts through different channels and was finally able to

1 contact Mr. Coulthurst by telephone.

2 Q. Okay, I will call your attention to what has been
3 marked as OCD Exhibit Number 5 and ask you if you can
4 identify it.

5 A. This is a faxed, handwritten memorandum that was
6 sent to Mr. Perrin in my office in response to his
7 telephone contact. It was sent by Mr. Coulthurst.

8 Q. I note that Exhibit Number 5 is dated 10/16,
9 without any year. Can you tell me what year that this was
10 received?

11 A. It's this year.

12 Q. So that was 10-16 of 01?

13 A. That's correct.

14 Q. Which would have been the day before yesterday?

15 A. Yes. In looking at this we noticed also, we
16 can't take into consideration the date at the top of the
17 fax. Their machine is apparently not programmed correctly
18 with the right times and dates.

19 Q. Yes, I will note that the fax machine says
20 "01/22/1995", or is it 1998? I don't have my glasses?

21 A. 1995.

22 Q. Okay. Well, this was not, in fact, received in
23 1995?

24 A. No, it was not.

25 Q. Very good. Okay, let me call your attention next

1 to what has been marked as OCD Exhibit 6 and ask you if you
2 can identify it.

3 A. This is a copy of the fax that we received in our
4 office addressed to Mr. Perrin in further response to the
5 phone call that he had made.

6 Q. Okay, and this is dated October 16, 2001,
7 correct? Again, Tuesday of this week?

8 A. Yes, it is there at the -- just above the
9 greeting on the --

10 Q. And again, the fax stamp indicates that it was
11 sent on "01/22/1995"?

12 A. That's right.

13 Q. And that is not correct as to when it was sent?

14 A. No, it's not.

15 Q. Thank you. Now, did you cause a physical
16 inspection to be made of the Coulthurst wells that are
17 included in this Application?

18 A. Yes, yes, we did.

19 Q. I will call your attention to what has been
20 marked as OCD Exhibit 7 through 18, and of course these are
21 Xerox copies of color pictures, and they may be a little
22 hard to identify, but -- some of them, but I will ask you
23 if you can identify those pictures.

24 A. Yes, these are copies of photos of the wells that
25 are the subject of this Application for Coulthurst.

1 Q. Thank you. And I will note that the Examiner has
2 been furnished with the originals, the color photographs
3 that are not Xerox copies.

4 Is each of these photographs labeled with a label
5 in rather large type showing the well to which it relates
6 by well name, number and API number?

7 A. Yes, on the copies it's not very clear but it
8 should be very clear on the originals.

9 Q. Okay. And these -- unlike some Division
10 photographs, these do not have dates imprinted on them by
11 the camera. Can you tell me approximately when these
12 photographs, Exhibits 7 through 18, were taken?

13 A. They would have -- I'm sorry, I can't. It's done
14 by a field inspection staff, and I don't recall the date
15 they went out. It's been within the last month.

16 Q. It would have been since the filing of this
17 Application?

18 A. That's correct.

19 Q. And this Application was filed on September the
20 27th, 2001?

21 A. Yes, sir.

22 Q. So it would have been sometime since that date
23 and prior to today, correct?

24 A. Yes, sir.

25 MR. BROOKS: Okay. I'll move for the admission

1 of OCD Exhibits 3 through 18.

2 EXAMINER STOGNER: Exhibits 3 through 18 will be
3 admitted into evidence at this time.

4 MR. BROOKS: And I'll pass the witness.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. Mr. Chavez, in referring to Exhibit Number 6, up
8 there at the top in the text it says "Dear Charlie, Thank
9 you for your call and e-mail which were received about 4 PM
10 Friday, Oct. 12th." What e-mail is he referring to that
11 was sent on October the 12th?

12 A. My recollection is -- I'm sorry, I don't have a
13 copy of that. In Mr. Perrin's communication with Mr.
14 Coulthurst, he did send him copies or a list of the wells
15 that we referred to, we're referring to, and I think some
16 other communications, but I'm not real sure. He is present
17 and he can be able to tell you exactly what that e-mail
18 communication included.

19 Q. Are you referring to previous -- Okay, you've
20 already stated in your testimony today about a mass mailing
21 of May 11th, and of course Exhibit Number 3 contains a
22 September 25th of 2000 letter. Are there any other
23 additional correspondence --

24 A. Just --

25 Q. -- that would have been contained in that e-mail

1 that you know of?

2 A. I don't know. Like I say, you'd have to verify
3 that with Mr. Perrin. But those e-mails were only after he
4 established phone communication.

5 Q. Do you know who called who? Was it Mr. --

6 A. Yes, Mr. --

7 Q. -- Perrin that had reached him at this number
8 stated on the letterhead?

9 A. Yes, Mr. Perrin initiated the phone call after
10 looking -- several attempts to try to find a current number
11 for Mr. Coulthurst.

12 Q. Because it goes down there, if you notice, "I
13 never received either letter about an information
14 request..." So that's what I was curious, of which
15 correspondence was sent to him.

16 A. I'm presuming. He's referring to the initial
17 May, 2000, letter and then the -- which wasn't returned --
18 or the September 20th, 2000, letter that was sent certified
19 that he didn't claim. I was presuming that's what he was
20 referring to.

21 Q. Okay, now it mentions something in here about his
22 working with the BLM. What's been your correspondence or
23 work or your people's work with the BLM concerning these
24 federal lands?

25 A. We've only recently talked to the engineer with

1 the BLM out of the Albuquerque office, and apparently Mr.
2 Coulthurst has been working with them on some long-term
3 development issues on that property that appear to be
4 waterflood issues.

5 Q. Now, is this property currently under waterflood?

6 A. No.

7 Q. And so there's no production and no injection
8 whatsoever going on out there on any of these wells?

9 A. That's correct. If there's production going on
10 on some wells, my understanding is that is not -- that
11 these wells have not been reporting any production or
12 injection.

13 Q. Okay, just by reviewing 7 through 18 it looks
14 like some of them aren't even capable of producing.

15 A. That's correct.

16 MR. BROOKS: Mr. Examiner, it is our intention to
17 offer the production records as they're shown in the OCD
18 system through another witness.

19 EXAMINER STOGNER: Okay, I'll still reserve
20 judgment on the -- I guess what can be interpreted -- I'm
21 still not sure that can even be interpreted that way for
22 their request for a 30-day delay stated in Exhibit Number
23 6.

24 So I have no other questions of Mr. Chavez. Are
25 there any other questions of Mr. Chavez at this time, Mr.