

RECEIVED

MAY 24 1991

O. C. U.
ARTESIA OFFICE

PHONE 505 - 623-5053
400 N. KENTUCKY AVE.
POST OFFICE BOX 1737
ROSWELL, NEW MEXICO
88202-1737

May 23, 1991

N.M.O.C.D.
P.O. Drawer DD
Artesia, N.M. 88210

ATT: Mr. Mike Williams

RE: Hanagan Petroleum Corporation
#2 Long Arroyo
Sec 33 - T12S - R28E
Chaves County, New Mexico

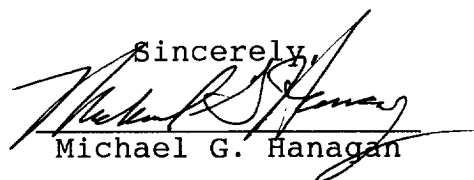
Dear Mike:

As per our conversation on May 22, 1991, I am requesting an exception to Order # R-9210 Rule 203 on the above referenced well.

The #2 Long Arroyo was drilled and completed in May, 1989. The well was completed as a Mississippian gas discovery with an AOF of 1262.5 mcf/d at a depth of 7685' - 7752'. 5 1/2" casing was run to 8367' with the top of the cement at 6830'. The well has not been produced as the nearest pipeline is 8 miles from the well and would require a compressor. Subsequent drilling has not developed the field making laying a gas line uneconomic at the present gas prices. The well was re-acidized in May, 1990 which resulted in an AOF of 1437.3 mcf/d which is still too low to lay a gas line and put in a compressor. No casing problems have been observed during either completion operation.

Therefore, we respectfully request that you grant a five year exception to Order # R-9210-Rule 203 on the HPC #2 Long Arroyo.

Sincerely,



Michael G. Hanagan