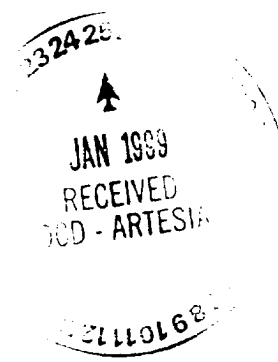




NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

January 21, 1999



Gothic Production Corporation  
c/o James L. Schultz  
809 Twin Diamond  
Roswell, New Mexico 88201

Re: *Two administrative applications submitted on January 11, 1999 for unorthodox Pecos Slope-Abo infill gas well locations for Gothic Production Corporation's proposed: (i) McClellan "MOC" Federal Well No. 17 to be drilled 2475' FSL & 1495' FEL (Unit J) of Section 30, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico; and (ii) Penjack Federal Well No. 11 to be drilled 330' FNL & 2310' FEL (Unit B) of Section 12, Township 10 South, Range 25 East, NMPM, Chaves County, New Mexico.*

Dear Mr. Schultz:

Both wells in which the subject applications were filed are in the Pecos Slope-Abo Gas Pool and are subject to the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*", as promulgated by Division Order No. R-9976-C, dated March 19, 1996 (see copy attached). These rules do not include an administrative procedure for authorizing unorthodox gas well locations (see Rule 5). Both applications will therefore be set for hearing and will be placed on the next available docket scheduled for February 18, 1999.

Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's Rules and Regulations.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Roswell  
Kathy Valdes, NMOCD - Santa Fe