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JASON KELLAHIN (RETIRED 1991)

November 2, 1998

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

99 OCT 33 PM 5:04
OIL CONSERVATION DIV.

Re: NMOCD Order R-10622-A (Case 11514)
Application of Ready & Stevens, Inc.
for an unorthodox gas well location
Harris Federal Well No. 11
Buffalo-Valley Penn Gas Pool
Chaves County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Read & Stevens, Inc., I am responding to a letter sent to you on October 12, 1998, by James Bruce, on behalf of Ocean Energy ("Ocean"), complaining that he has had trouble getting data on the Read & Steven's referenced well from Mr. Tim Gum of the OCD-Artesia. In doing so, Ocean presumptuously alleges that Read & Steven's has not abided by the production limits imposed by the referenced order. He is wrong. I am very disappointed that Ocean has chosen to make these allegations directly to you instead of first contacting me. Had they done so, then I would have been able to provide them with the following facts which demonstrate that Read & Stevens has abided by the 50% deliverability penalty imposed upon this well:

- (1) In April, 1997, the well was connected to a pipeline for initial gas sales;
- (2) In May, 1997, and in compliance with the order, Read & Stevens conducted the first deliverability test which established a rate of 2,418 MCFPD. This yields an allowable of 1,209 MCFPD when the 50% penalty is imposed. Read & Stevens, using the Division's "Manual for Back Pressure Testing for Natural Gas Well" and Division Form C-122-C, filed the test results with the Division;

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(3) During the six month period from May through October, 1997, this well averaged 1,129 MCFPD and ended 15,272 MCF underproduced;

(4) In October, 1997, the next deliverability test was 1,767 MCFPD which yields a penalized allowable of 884 MCFPD. This test was also filed with the Division using Form C-122-C;

(5) From November 1997 through April, 1998, this well averaged 961 MCFPD with 14,023 MCF overproduction applied to the 15,272 underproduction resulting in cumulative over/under production of 1,249 MCF underproduced;

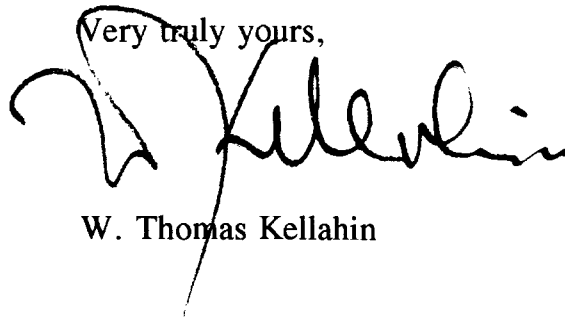
(6) Although no deliverability test was run in the Spring, 1998, the May through September 1998 production averaged 832 MCFPD. This was 13 % lower than the previous six month average daily rate;

(7) In October, 1998, the deliverability test was 1,1215 MCF which yields a penalized allowable of 866 MCFPD. This test was filed with the Division using form C-122-C;

(8) Currently this well is producing less than 800 MCFPD.

In summary, Ocean Energy's complaint is without merit and the production plot they submitted to you is meaningless. Read & Stevens used the Division's rules for properly determining this well's capability to produce (using flowing tubing pressure, line pressure and shut-in tubing pressure), has filed the deliverability tests using Division forms and produced this well in compliance with the Division's penalty.

Very truly yours,



W. Thomas Kellahin

cc: Tim Gum
OCD-Artesia
James Bruce, Esq.
Attorney for Ocean Energy
Read & Stevens, Inc.
Attn: John C. Maxey, Jr.