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October 29, 1997

Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco  
Santa Fe, New Mexico 87505

VIA FAX# (505)827-8177

Attention: Mr. Michael Stogner

Re: Case 11821 REOPENED AND READVERTISED  
Section 28: W/2SW/4  
T16S, R37E, NMPM,  
Lea County, New Mexico

Dear Mr. Stogner:

Per our telephone conversation regarding the above captioned, and the Amended Application for Compulsory Pooling.

As discussed, the S/2 of Section 28 has over 235 mineral owners, is common and undivided. In 1930, Mr. Harry S. Wright conveyed a 1% interest in and to the minerals in the S/2 to over 80 separate individuals.

We have leases, term assignments and executed AFE's from the over 100 entities we could locate, covering over 155 net mineral acres in the SW/4.

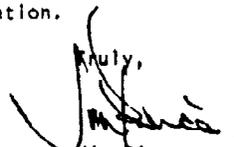
Our application for compulsory pooling of the 2+ net mineral acres we could not locate, was granted for the W/2SW/4, being the 80 acre proration for the Strawn formation, being our primary objective.

Our efforts to produce the Strawn formation in the Homestake #1 well (SW/4SW/4) have been futile, thus far. In an effort to salvage our prospect, we propose to drill a horizontal lateral due east from the wellbore, requiring that our 80 acre proration be designated as the S/2SW/4, and not the W/2SW/4 previously granted.

I feel that I was not clear in asking your opinion and decision as to whether it is necessary to re-send certified notices to the 135 mineral owners we have not been able to locate, only to have them all returned, again.

Please contact me at your earliest convenience as to your decision.

I appreciate your consideration.

July,  
  
Jim Pierce

JP

11-3-97  
forwarded to  
Bill Carr  
MS.