

DOYLE HARTMAN
Oil Operator
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MAY 22 1998

Via FedEx

May 21, 1998

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Attn: Lori Wrotenbery, Director
Michael E. Stogner, Chief Hearing Officer

Re: Unorthodox Gas Well Location, Simultaneous
Dedication, and Lack of Notice
Gruy Petroleum Management Company
Rhodes Federal Unit Nos. 103 and 159
Sections 10 and 15, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Gentlemen:

Reference is made to the following locations that have just been announced by Gruy Petroleum Management Company:

Rhodes Federal Unit No. 103
990' FSL and 990' FEL (P)
Section 10, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

Rhodes Federal Unit No. 159
2100' FNL and 460' FEL (H)
Section 15, T-26-S, R-37-E
Lea County, New Mexico
(Rhodes Gas Pool)

As the lessee of record of 100% of the leasehold estate covering the north and west offset 320-acre C.T. Bates fee lease, we hereby give notice that Gruy Petroleum Management Company's recently announced Rhodes Federal Unit (RFU) Nos. 103 and 159 wells are (1) located within the boundaries of the Rhodes Gas Pool (which now provides for a single producing well on 160-acre spacing) and (2) as gas wells, are subject to 660' setbacks from the spacing and proration unit (S.P.U.) line, not

OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 22
CASE NOS. 12015 & 12017

a 330' setback as requested by Gruy for its proposed unorthodox RFU No. 103 location consisting of 990' FSL and 990' FEL of Section 10, T-26-S, R-37-E.

As currently proposed, and as depicted on the ownership-structure map enclosed herewith, Gruy's newly announced RFU Nos. 103 and 159 wells are to be drilled on the same 160-acre non-standard non-prorated S.P.U. that is presently dedicated to Gruy's Gregory "B" No. 2 Rhodes (Gas) well situated 990' FNL and 660' FEL of Section 15, T-26-S, R-37-E. The 160-acre Gregory "B" No. 2 Rhodes (Gas) S.P.U. was created on April 14, 1993, by NMOCD Order No. R-9870.

In light of the foregoing, we respectfully request that Gruy's proposed 330'-setback unorthodox location for the RFU No. 103 location be promptly adjusted to an orthodox gas well (in a gas pool) location, which is 660' from the lease line, and that Gruy take notice that Doyle Hartman opposes a new Rhodes gas well (in a gas pool) completion (that is situated at an unorthodox 330'-setback location) from receiving approval to produce at unrestricted full deliverability rates, as would be the case, if a well were situated, as a single well, on a full 160-acre S.P.U., and at an orthodox 660' setback location.

Moreover, as the second and third gas wells, on the currently existing 160-acre Gregory "B" No. 2 non-prorated gas S.P.U., the proposed Gruy-operated RFU Nos. 103 and 159 wells are not in compliance with the NMOCD's August 3, 1990 *Memorandum to All Operators*, which memorandum pertains to "...applications for additional wells on existing proration units...(emphasis added)". A copy of the NMOCD's August 3, 1990 memorandum is enclosed herewith. Consequently, Doyle Hartman further objects to Gruy's requested deviation from the NMOCD's revised policy (after July 27, 1988) of prohibiting more than one producing well on a non-prorated gas S.P.U.

Finally, as documented by the herein enclosed excerpts (pertaining to Tracts 58 and 59 of Exhibit "A-2") from that certain January 2, 1986 assignment from Sun Oil Company to Doyle Hartman, et. al., Doyle Hartman and James A. Davidson (as successors-in-interest, through Sun, to R. Olsen and Stanolind Oil and Gas Company) own certain oil, casinghead gas, and processed liquids rights under the 5,480-acre 1944-approved Rhodes Federal Unit, with one of the Hartman-Davidson contributed RFU tracts consisting of the S/2NE/4 Section 15, T-26-S, R-37-E, on which Gruy now proposes to drill its subject RFU No. 159 well. Hartman's and Davidson's ownership notwithstanding, and contrary to the spirit and purpose of 70-2-16 through 70-2-18 NMSA, to date, Doyle Hartman and James A. Davidson have received no notice or paperwork whatsoever regarding Gruy's newly proposed RFU Nos. 103 and 159 wells in Sections 10 and 15, T-26-S, R-37-E, nor, as previously requested, has Gruy, or its predecessor-in-interest, made any attempt to account for Hartman and

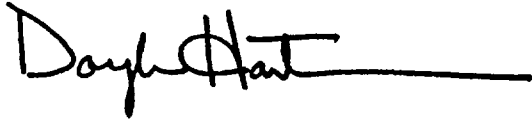
New Mexico Oil Conservation Division
May 21, 1998
Page 3

Davidson's recorded ownership under the Rhodes Federal Unit (copy of Hartman to Meridian letter of March 25, 1996 enclosed).

Your very prompt attention to the herein above-discussed matters is respectfully requested prior to the newly announced Rhodes Federal Unit wells being drilled.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read 'Doyle Hartman', followed by a long horizontal line.

Doyle Hartman

enclosures

rcs/rjr
wpdocs\corresp.dh\gruy

cc: Bureau of Land Management
1717 W. Second
Roswell, NM 88201
Attn: Armando Lopez, Asst. District Mgr., Minerals

Bureau of Land Management
620 E. Green (88220)
P.O. Box 1778
Carlsbad, NM 88221-1778
Attn: Richard L. Manus, Area Manager

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240
Attn: Vince Balderaz, Lead Oil & Gas Inspector

New Mexico Oil Conservation Division
1000 W. Broadway (88240)
P.O. Box 1980
Hobbs, NM 88241
Attn: Chris Williams, District Supervisor

New Mexico Oil Conservation Division
May 21, 1998
Page 4

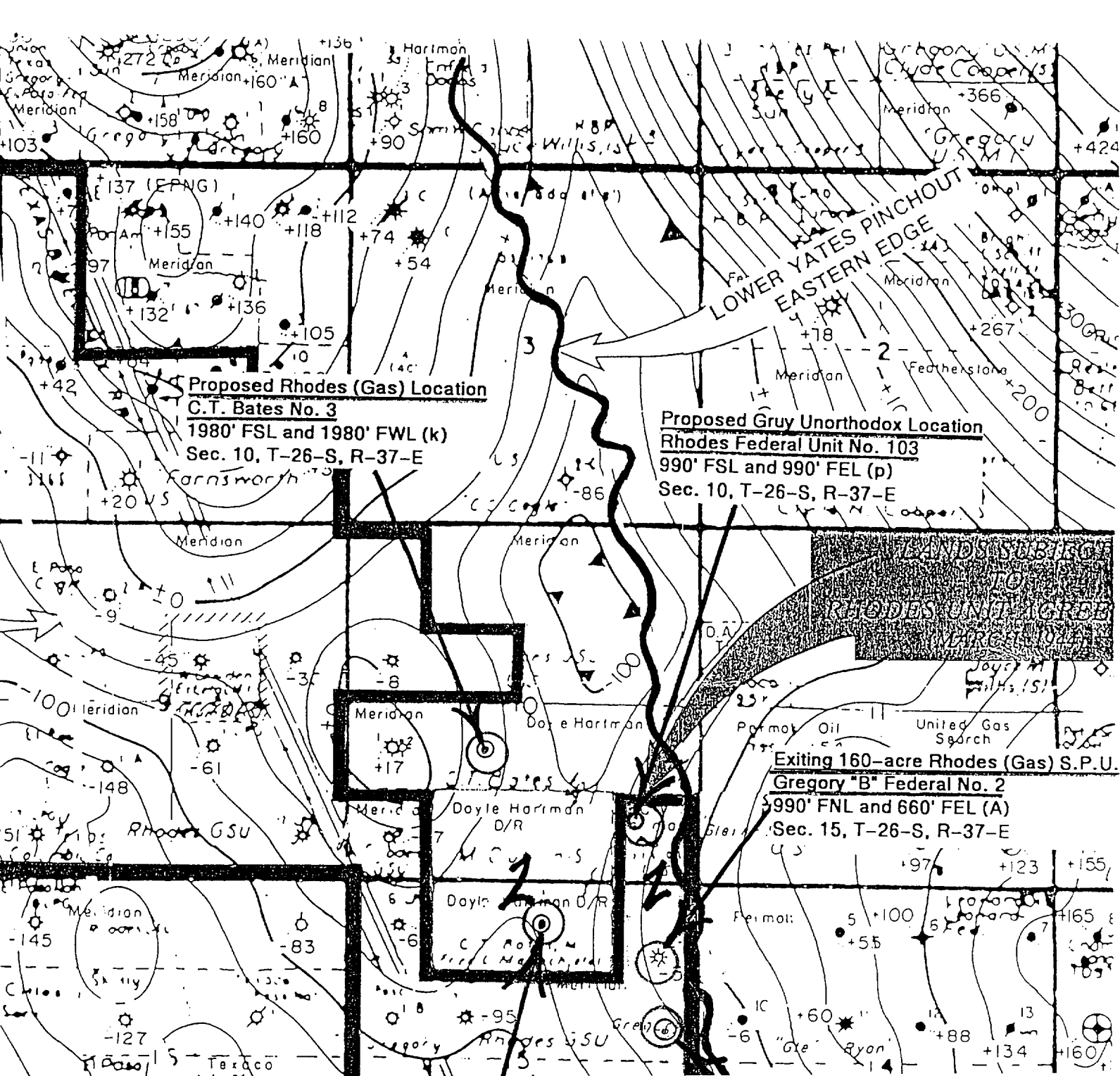
Via Express Mail and Certified Mail, Return Receipt Requested

Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907

Attn: Richard R. Frazier, President & Chief Operating Officer
Bill Mann, Operations Manager
Greg Jessup, Vice President Land

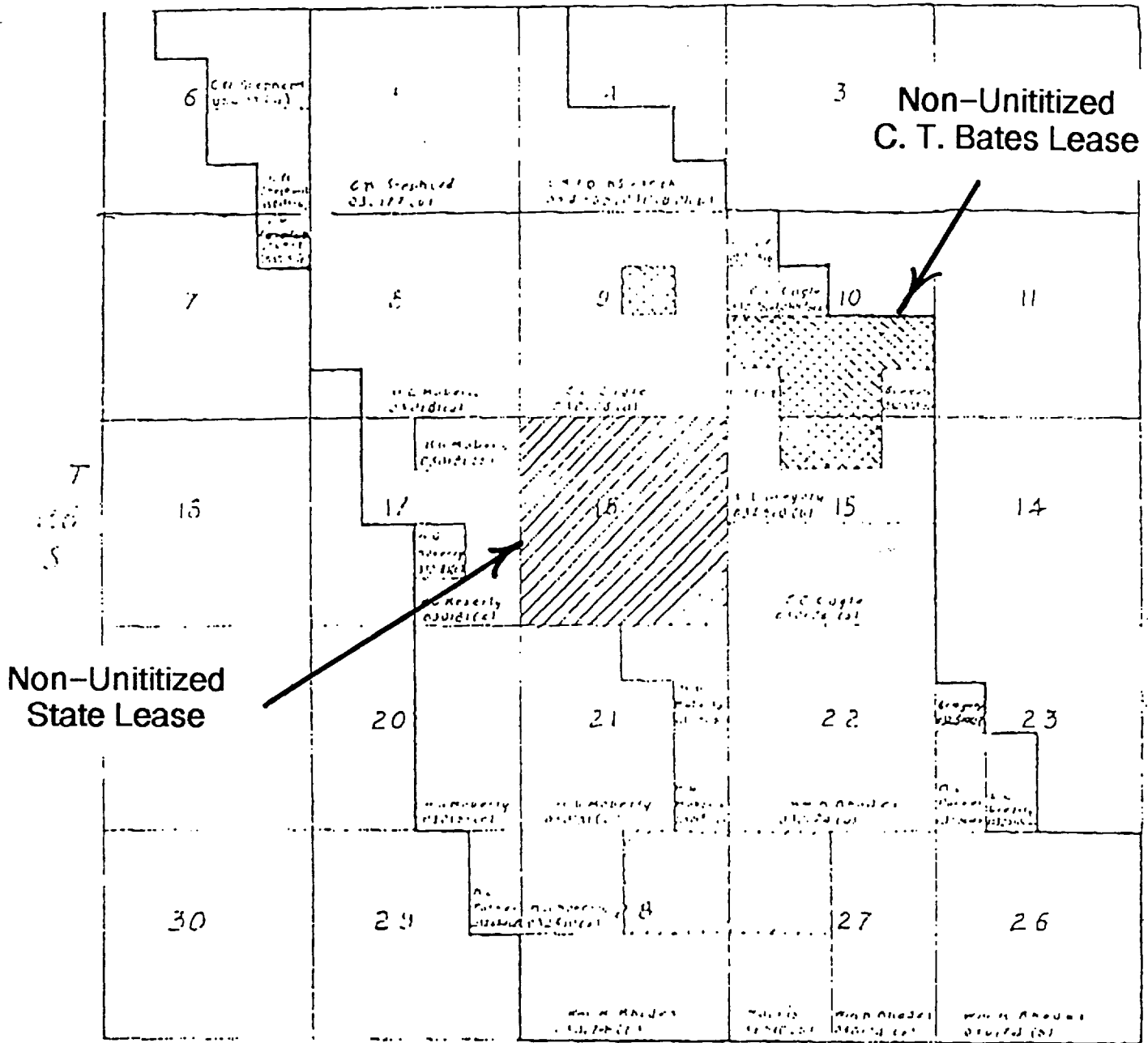
James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505
Attn: J.E. Gallegos
Michael J. Condon



Excerpt From 1944
Rhodes Federal Unit Agreement

H 57-E



LEGEND

— Area Boundary

[] Federal Land

[] State Land

[] Private Land

PLAT OF
RHODES UNIT AREA

LEA COUNTY, NEW MEXICO

SCALE 1"=140'