DOYLE HARTMAN

Oil Operator 500 NORTH MAIN F.O. BOX 10426 MIDLAND, TEXAS 79702

(915) 684-4011 (915) 682-7616 FAX

Via FedEx

June 29, 1998

Gruy Petroleum Management Company 600 E. Las Colinas Blvd., Suite 1200 (75039) P.O. Box 140907 Irving, TX 75014-0907 Cur 12015

Attn: Richard R. Frazier, President & Chief Operating Officer

Bill Mann, Operations Manager Greg Jessup, Vice President Land

Re: C.M. Farnsworth "C" No. 1 (Rhodes Federal Unit No. 41) Section 4, T-26-S, R-37-E Lea County, New Mexico (Rhodes Gas Pool)

Gentlemen:

Reference is made to your newly drilled Rhodes Federal Unit No. 415 well which is a <u>replacement</u> Rhodes gas well situated on the currently existing 160-acre Rhodes Gas SPU consisting of the SW/4 Section 4, T-26-S, R-37-E.

As you are aware, the Rhodes Gas Pool is a non-prorated gas pool with NMOCD regulations providing for only one <u>active</u> gas well per 160-acre SPU. Moreover, as in part documented in that certain letter agreement dated May 18, 1960, between El Paso and R. Olsen, the ownership of the oil and gas rights, as to the SE/4SW/4 Section 4, was previously split between El Paso Natural Gas Company and R. Olsen and, to this date, the split ownership has <u>not</u> been recombined. Consequently, before you permanently abandon the now <u>excess</u> C.M. Farnsworth "C" No. 1 wellbore situated in N-4-26S-37E, we respectfully request that Gruy, as successor owner of the C.M. Farnsworth "C" gas rights, first give timely notice, to the owner and operator of the oil rights for the SE/4SW/4

Gruy Petroleum Management Company June 29, 1998 Page 2

Section 4, T-26-S, R-37-E, of any permanent abandonment of the excess C.M. Farnsworth "C" No. 1 wellbore.

Very truly yours,

DOYLE HARTMAN Dil Operator

Doyle Hartman

enclosures

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cc: New Mexico Oil Conservation Division

2040 S. Pacheco Santa Fe, NM 87505

Attn: Michael Stogner, Chief Hearing Officer

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

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

Gruy Petroleum Management Company June 29, 1998 Page 3

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

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



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS GOVERNOR

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING BANTA FE NEW MEXICO 87504 (305) 827-6300

MEMORANDUM

TO:

ALL OPERATORS

FROM:

WILLIAM J. LEMAY, DIRECTOR WILLIAM J.

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND

REGULATIONS

DATE:

AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and abut-in schedulas, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.

DISTRICT I

State of New Mexico

Sange, Minerals and Natural Honouroes Department

Form C-102 Revised February 10, 1894 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

DISTRICT II P.O. Derver MD, Artesia, NO. 88811-0718

DISTRICT III

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

DISTRICT IV P.O. Best 2044, Sanda Fa, MY \$1604-2066

1000 his Brazos Rd., Asteo, NN 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

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ADMINISTRATIVE ORDER -NSP-1292

WELL LOCATION AND ACREAGE DEDICATION PLAT

Well Ho. Lease Operator EL PASO NATURAL GAS COMPANY Farnsworth Township County Section Unit Letter fittings. 26 5 37 E LEA Actual Printage Location of Well: West 990 South feet from the Leet from the thic and Dedicated Acrosus: Producing Formation Poul Ground Level Elevi YATES - 7 RIVERS RHODES YATES - 7 RIVERS 2983.0 Acres 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below. 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? If answer is "yes!" type of consolidation ____ If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)__ No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission. CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge und belief. JOHN S. DELK Position SUPERVISOR PROD. SVCS. EL PASO NATURAL GAS CO. MARCH 2, 1982 I harnby certify that the well location shown on this plat was platted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief. 1650' Date Surveyed Not Available Registered Professional Engineer and/or Land Surveyor Cettificate No. 660 1320 1650 1980 2310 2000 1300 1000