

**WILLOW PIPELINE COMPANY**  
**P.O. BOX 131**  
**WEATHERFORD, OKLAHOMA 73096**  
**580-772-1111**  
**FAX 580-772-1116**

September 18, 1998

Lori Wrotenbery, Director  
NM Oil Conservation Division  
2040 S. Pacheco Street  
Sante Fe, NM 87505

Re: Proposal for New Mexico Production

Dear Ms. Wrotenbery;

Thank you for meeting with me and Jim Bruce, my attorney, in Sante Fe earlier this week. It is certainly refreshing to meet with someone in government that will listen to producers' problems with an open mind. I believe we can work through this impasse if we all use common sense to interpret the commission rules. You have asked for Willow to submit our proposals. We hope these proposals meet with your approval.

Willow Pipeline Company proposes to do the following things:

1. On this date I have started preparing C-103's reflecting the work performed on the wells that Mr. Gum says had not produced for one year and were out of compliance under rule 201 B (3). This may solve part of the problem as Mr. Gum expressed a desire that Willow file C-103's to show what work had been performed on the subject wells within the previous year prior to his request to plug or temporarily abandon the wells.
2. We have all now agreed there are no fresh water zones within several miles of the Willow leases to protect and no other producing formations that might be contaminated by casing integrity problem (I am having Jim Bruce or Brian Wood's of Permits West to deliver you a copy of his study as I left my copy with Mr. Bruce). Under Rule 203 C (3) the commission may approve alternative casing tests submitted on Form C-103 on an individual basis. To demonstrate that the fluid level is not a problem on our leases, I intend within the next week, to shoot fluid elevations on all wells considered out of compliance. This will be accomplished with an industry accepted electronic instrument called an Echometer.. Results will be reported to the commission on Form C-103. I hope the commission will accept these casing tests as an alternative test under the above regulations..

3. I intend to contact Underwriters Indemnity to see if they will continue to bond if Willow is designated an operator by the commission. I will advise you as soon as I can confirm.
4. If the commission accepts Willow's proposals, Underwriter Indemnity continues its bond, and the commission designates Willow as an operator, I intend to begin producing the non-compliance wells by swab production. Rand Carroll, like me, says this type of producing looks good on video. I would at least like the opportunity to try it before these non-compliance wells are plugged and abandoned. Once the wells are plugged and abandoned the oil in place is forever lost to society. This is exactly opposite of what conservation is all about.

If the commission is unable to work through this impasse Willow will comply with any orders issued by the hearing examiner. Willow desires to be a good producer for the State of New Mexico and a good neighbor to landowners and other producers.

We, also, need to address the fact that Mr. Gum has cut off Willow's ability to sell oil to Scurlock. This was really underhanded by Mr. Gum after just ten minutes earlier having told me all he wanted was for the wells to be producing and there would not be a necessity for a mechanical integrity test.. I wrote him a confirming letter (you have a copy) to document his new stance. I was ready, willing and able to do this and the next thing I know, our ability to sell oil is cut off.

Thank you again for your audience. We will appreciate any assistance you might give in this matter. "

Sincerely,



Gary Millspaugh, President