

Willow Pipeline Company
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September 12, 1997

State of New Mexico
Attn: Tim W. Gum
Energy, Minerals and Natural Resources Department
811 S. First St.
Artesia, NM 86210

Re: Change of Operator on Harlow leases

Dear Mr. Gum;

Thank you for your kind attention on the telephone as to my problem of completing change of operations on the White Lake Ranch leases that we have purchased from The Harlow Corporation. From your letter to The Harlow Corporation dated August 26, 1997 (copy attached for quick reference) and your response and explanations to my telephone inquiry, it is apparent you are adamant about Mr. Harlow permanently and/or temporarily plugging and abandoning all wells not currently producing on the White Lake Ranch. Your position is directly contrary to The Enhanced Oil Recovery Act (H.B. 38) and The Natural Gas and Crude Oil Act (H.B. 65) adopted by the New Mexico Legislature, and completely untenable under the existing situation as you and I both know.

As a result of my military training, I always like to resolve disputes through the chain of command allowing parties at each level the opportunity to reconsider their position. I have found this method is appreciated by all parties at all levels and sometimes saves a lot of work and more importantly keeps good relations between all parties. It is with this resolve that I am asking you to reconsider your position on allowing Willow Pipeline to assume operations on the subject leases and release Mr. Harlow and his bond.

As I related to you on the telephone, I have been into every well bore on the Harlow lease at a cost of well over ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000). Every well has been cleaned out partially or completely. The next step is to use some form of chemicals or chemicals to test the potential on each well. That cost will also be a substantial expenditure. It has further become evident that a pilot waterflood is in the future for this lease. The lease directly to the south is presently experimenting with a waterflood and we are receiving a push from on the south side of our lease indicating the success of such a measure.

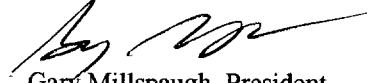
Once our C-104's are approved we intend to make application for a pilot waterflood. We have retained the services of Brian Woods, Permits West of Sante Fe, New Mexico, to complete the applications for us and I understand most of the preliminary work has been done.

I can assure you that after every well has been tested and the pilot waterflood experimentation completed that any well not producing or utilized in the waterflood will be plugged according to the law. You must understand that this type of operation takes time. MarBob on our south has no less than twenty-five wells shut in trying to figure out why they are not responding to the waterflood while wells right next

to them are responding. If we could see underground this would be simple. It "is" simple enough, however, to see that plugging a well without complete testing is not the answer.

The goal of the New Mexico Legislature, among other things, is to encourage operators to workover shut-in and marginal wells to increase production, and to avoid premature plugging and abandonment operations as well as encourage the use of enhanced recovery techniques, including waterflooding. Your present stance demanding plugging is diametrically opposed to the legislative intent of your superiors. I respectfully request that you reconsider your present position and approve the C-104's that have been submitted by Willow Pipeline.

Sincerely yours,



Gary Millspaugh, President