

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

JUN - 9 1998

June 9, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 11013; Application of Baber Well Servicing Company
for an unorthodox oil well location, etc., Lea County,
New Mexico

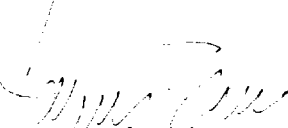
Dear Mr. Stogner:

The above matter was heard earlier this year. My client, Pogo Producing Company, appeared at the hearing and objected to the unorthodox location. Baber did not appear at the hearing to justify its actions. Pogo did ask for extra time to try to settle this matter with Baber. However, Baber has refused to discuss this matter in good faith, and negotiations are at a standstill. A copy of Pogo's last letter to Baber is enclosed.

Therefore, at this time Pogo requests the Division to enter an order requiring Baber to plug and abandon the subject well. **In addition**, Pogo requests the Division to (1) require Baber to shut in any and all wells it currently operates in New Mexico, and (2) seek an order requiring Baber to pay the Division a civil penalty of \$1000/day from the date the well began producing, on or about July 1, 1994, as permitted by NMSA 1978 §70-2-31.A. Pogo believes these penalties are justified due to Baber's flagrant disregard of Division rules.

Please call me if you have any questions about this request.

Very truly yours,



James Bruce

Attorney for Pogo
Producing Company

cc: Terry Gant
Baber Well Servicing Company
(via certified mail)



POGO PRODUCING COMPANY

April 21, 1998

Baber Well Servicing Co. and
Pronghorn Management Corp.
Attention: Mr. G. A. Baber, III
P.O. Box 1772
Hobbs, NM 88241

CERTIFIED, RRR

RE: Wilson Prospect No. 565
Lea County, New Mexico
S/2 of Section 20, T-21-S, R-35-E, N.M.P.M.
Pogo Lease No. NM-4463 (State Lease E-2446-4)
Cause No. 11013

Gentlemen:

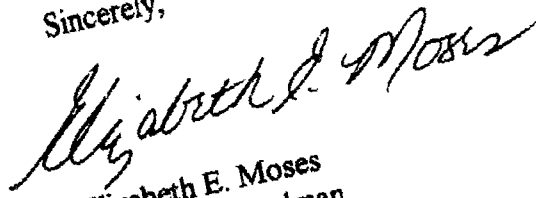
On February 19, 1998, Pronghorn Management Corporation was found by the Oil Conservation Division to be producing the New Mexico State "BZ" #5 well located 45' FNL and 750' FWL of Section 29, T-21-S, R-35-E, Lea County, New Mexico without proper authorization and without an approved location exception. As you are aware, Pogo Producing Company has opposed this location since being first made aware of it. Pogo has diligently pursued an amicable compromise to this situation. After several attempts at negotiating a settlement on the telephone, Pogo made a written offer on March 6, 1998. You countered by letter dated March 11, 1998. Pogo has countered that offer by telephone on March 17, 1998 and has sought a response ever since that date, making no less than twelve telephone calls to your, but you refuse to either accept or reject said offer.

This letter is being written to set forth said final counteroffer in writing. Please be advised that Pogo is willing to purchase all of your interest (100% WI, 77% NRI) in Section 18, T-23-S, R-33-E excluding rights from the surface to 50' below the deepest currently producing perforations for each currently producing proration unit. All rights acquired will be also be limited to the base of the Dean formation. The consideration being offered is \$100 per acre for a five year term assignment and warranty of title language will be required to be included.

Baber Well Servicing Co.
April 21, 1998
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Please respond to this offer no later than 5:00 p.m. on April 27, 1998. Failure to have an acceptance of this offer by said deadline will void this offer in its entirety and no further negotiations will occur.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses".

Elizabeth E. Moses
Consulting Landman

cc: Mr. James Bruce ✓