

AMARCO OIL CORPORATION

P. O. BOX 11262
MIDLAND, TEXAS 79702
915 682-7861 fax 915 682-5852

was,
your copy,
Bub

January 12, 1999

Mr. Matt Pride
Pride Energy Company
P.O. Box 701602
Tulsa, Oklahoma 74170-1602

Dear Matt,

After 6 months of lost or late revenue from the Arco St. #1 Well located in Lea County, New Mexico, we have decided to contact the purchasers to have them disperse revenue directly to us.

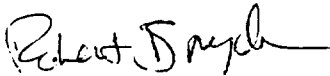
Enclosed are copies of the letters sent to Equiva Trading Company and GPM Gas Corporation.

We are deeply saddened that it has come to this action; however, the group has tried on numerous occasions to resolve the problem. We do not believe the netting of revenue is standard industry practice and are not treated that way by other operators. Consequently, we are left with no alternative action.

We look forward to working with you in the future as partners not adversaries and plan to pay our joint interest bills promptly.

If you have any questions, please feel free to contact Robert Snyder at 915-682-3502 ext. 234

Sincerely,



Robert Snyder/ President Amarco Oil Corporation



John Starck/ President Finwing Corporation
Starck Family LTD JAS

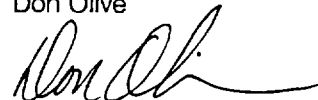


Wes Perry/ President S.E.S Oil & Gas Inc.



Greg Cilinski/ President Rhombus Energy

Don Olive



BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
EGL	EXHIBIT NO. 4
CASE NO. _____	

AMARCO OIL CORPORATION

P. O. BOX 11262
MIDLAND, TEXAS 79702
915 682-7861 fax 915 682-5852

January 12, 1999

Equiva Trading Company
1111 Bagby
Room 3277
P.O. Box 4604
Houston, Texas 77210
Attn: Division Order

Dear Sir or Madam:

On December 1, 1998, I contacted Mr. Kedrick Johnson concerning oil purchased from the Arco State #1 well (lease # 0052567) located in Lea County, New Mexico. Mr. Johnson suggested we send a letter documenting our current situation.

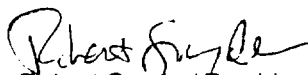
Pride Energy Company became operator of record on the lease as of June 1, 1998. A group of working interest owners executed division orders with Pride in August. Since that time, no revenue was distributed. After considerable effort to resolve the situation with Pride Energy, the group has decided to pursue an alternative action. Consequently, we prefer to have Equiva distribute revenue directly to the owners as is common industry practice and the way all other operators treat us. The working interest owners are:

- | | |
|---------------------------|---------------|
| 1) Starck Family Limited | 8.039375% NRI |
| 2) S.E.S. Oil&Gas, Inc. | 6.77% |
| 3) Rhombus Energy Company | 5.500625% |
| 4) Amarco Oil Corporation | 4.23125% and |
| 5) Don Olive | 2.53875%. |

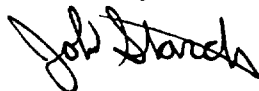
Enclosed are copies of assignments of ownership for the lease.

Please feel free to call Robert Snyder at 915-682-3502 ext. 234 if you need further assistance.

Sincerely,



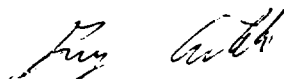
Robert Snyder/ President Amarco Oil Corporation



John Starck/ President Finwing Corporation
Starck family LTD SAS



Wes Perry/ President S.E.S Oil & Gas Inc.



Greg Cilinski/ President Rhombus Energy

Don Olive



BEFORE EXAMINER STOGNER

OIL CONSERVATION DIVISION

EXHIBIT NO. _____
CASE NO. _____

AMARCO OIL CORPORATION

P. O. BOX 11262
MIDLAND, TEXAS 79702
915 682-7861 fax 915 682-5852

January 12, 1999

GPM Gas Corporation
P.O. Box 50020
Midland, Texas 79710-0020

Attn: Division Order Analyst- New Mexico

Dear Sir or Madam:

Enclosed are assignments for the Arco State #1 Well located in Lea County, New Mexico

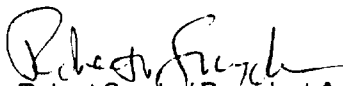
Pride Energy Company became operator of record on the lease as of June 1, 1998. A group of working interest owners executed division orders with Pride in August. Since that time, no revenue was distributed. After considerable effort to resolve the situation with Pride Energy, the group has decided to pursue an alternative action. Consequently, we prefer to have GPM distribute revenue directly to the owners as is common industry practice and the way all other operators treat us. The working interest owners are:

- | | |
|---------------------------|---------------|
| 1) Starck Family Limited | 8.039375% NRI |
| 2) S.E.S. Oil&Gas, Inc. | 6.77% |
| 3) Rhombus Energy Company | 5.500625% |
| 4) Amarco Oil Corporation | 4.23125% and |
| 5) Don Olive | 2.53875%. |

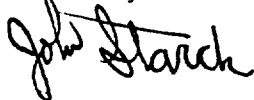
Enclosed are copies of assignments of ownership for the lease.

Please feel free to call Robert Snyder at 915-682-3502 ext. 234 if you need further assistance.

Sincerely,



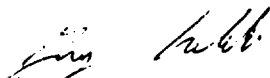
Robert Snyder/ President Amarco Oil Corporation



John Starck/ President Finwing Coprpoation
Starck Family LTD JAS



Wes Perry/ President S.E.S Oil & Gas Inc.



Greg Cilinski/ President Rhombus Energy

Don Olive



STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

COPY

MIDLAND, TEXAS
FASKEN CENTER • TOWER TWO
550 WEST TEXAS AVENUE, SUITE 800 • 79701
P.O. BOX 1540 • 79702
915/682-1616
FACSIMILE 915/682-1351
FACSIMILE 915/682-4884

ALLEN G. HARVEY
LICENSED IN TEXAS AND NEW MEXICO
DIRECT DIAL 688-0290
aharvey@stubbemanlawfirm.com

September 9, 1999

Pride Energy Company
P. O. Box 701602
Tulsa, OK 74170-1602

Attn: Mr. Matthew L. Pride

Re: ARCO State No. 1 Well
Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico
Section 16: SE/4, S/2 SW/4 and NE/4 SW/4

Gentlemen:

This firm represents E.G.L. Resources, Inc., a co-owner in the ARCO State No. 1 well who has asked that we contact you concerning your operation of the captioned well and lease. According to the materials provided by our client, you became the operator of the captioned well effective June 1, 1998 pursuant to the terms of that certain Joint Operating Agreement dated February 20, 1980 between Cal-Mon Oil Company, as operator, and Atlantic Richfield Company, as non-operator. Our client's files show that you have not paid them for oil production for the months of June, July and August, 1998, or January 1999. In addition, you have not paid them for any gas revenues from January 1999 to date. Our client has made repeated requests for you to rectify this matter with regard to the oil and gas revenues.

In addition, third party water has been disposed of in the ARCO State No. 2 SWD and the payment for the disposal was apparently sent to you. However, you have never paid any of the revenue attributable to the disposal to the working interest owners of the Arco State No. 1 who own a portion of the SWD system.

One of the duties of the operator under the operating agreement is to properly account to the non-operators by paying revenues in a timely manner in the appropriate amounts. Your failure to do so allows for the non-operators to remove you for failure to carry out your duty under the operating agreement. In this regard, the non-operators owning a majority interest based on ownership, after excluding your voting interest, have voted to remove you as operator and have voted in favor of E.G.L. Resources, Inc. as successor operator under the operating agreement effective September 1, 1999 at 7:00 a.m.

In order to facilitate the change of operator, we demand the following:

1. Execute the enclosed Resignation of Operator.

2. Execute the enclosed form C-104 which designates E.G.L. Resources, Inc. as operator.

3. Fully account to the non-operators for all revenues and expenses attributable to the ARCO State No. 1 Well and the ARCO State No. 2 SWD by October 15, 1999.

If we do not receive the executed Resignation and Form C-104 from you by September 22, 1999, at 5:00 p.m., we will take such action as may be necessary to remove you as operator pursuant to the terms of the operating agreement. Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in cursive script that reads "Allen G. Harvey".

Allen G. Harvey

AGH:sab

Enclosures

cc: Mr. W. Wesley Perry
E.G.L. Resources, Inc.
P. O. Box 10886
Midland, TX 79702

RESIGNATION

Pride Energy Company hereby resigns as Operator under that certain Operating Agreement dated February 20, 1980, between Cal-Mon Oil Company, as Operator and Atlantic Richfield Company, as Non-Operator, covering the following lands in Lea County, New Mexico:

Township 18 South, Range 35 East, N.M.P.M.:
Section 16: SE/4, S/2 SW/4 and NE/4 SW/4

This resignation is effective September 1, 1999, at 7:00 a.m.

Pride Energy Company

By: _____

Matthew L. Pride

Title: _____