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August 11, 2000
(Our File No. 98-266.00)

MICHAEL J. CONDON

VIA TELECOPY

J. Scott Hall
Miller, Stratvert, Torgerson
& Schlenker, P.A.
150 Washington, Suite 300
Santa Fe, New Mexico 87501

Re: Application of Pendragon Energy Partners for Approval to Restore the
Chaco 2-R Well to Producing Status, OCD Case No. 12479

Dear Mr. Hall:

Thank you for your letter of August 9, 2000. I appreciate the more specific statement of the basis for the Application. There are, however, several concerns which may need to be addressed prior to any hearing on the merits of the Application.

The Pendragon Application, specifically paragraph 4, raises several concerns about whether the Pendragon Application seeks relief inconsistent with Commission Order No. R-11133-A, and whether the Application should be stayed pending a determination of Pendragon's administrative appeal of the Commission Order to district court. Specifically, paragraph 4 of the Application fails to recognize Commission Finding 39, which found that "the most reasonable explanation of the sudden significant increases in production following the fracture stimulation treatments on the Pendragon Chaco Wells was that the hydraulic fractures penetrated into the gas bubble established in the Fruitland Coal Formation." The Application does not reference Finding 45, which held that "the Pendragon Chaco Wells depleted the Pictured Cliffs Formation prior to the fracture stimulation treatments performed on the wells in 1995." The Application, and again specifically paragraph 4, also ignores Commission Finding 46, which holds that "Pendragon Chaco Wells No. 1, 2R, 4 and 5 have already produced their fair share of the gas in the Pictured Cliffs Formation." Given those findings, it is unclear how Pendragon has any basis to seek to restore the Chaco 2R well to production. Any production from the Chaco 2R well would only exacerbate the problem of Pendragon's improper production of coal seam gas through its Chaco wells.

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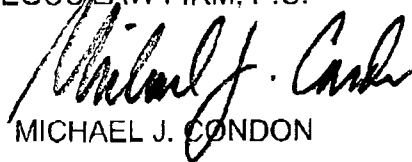
To the extent Pendragon seeks to modify the Commission's ruling in Order R-11133-A, we do not believe the Commission or the Division have jurisdiction to entertain that motion. Pendragon has appealed the Commission decision to the district court. Certainly, Whiting should not be forced to deal with a fourth attempt by Pendragon (the Division proceeding, the Commission de novo appeal, the district court appeal, and now another Division hearing) on the issue of whether its hydraulic fractures caused communication with the Fruitland Coal Formation and whether the Pictured Cliffs formation is already depleted in the area of the Chaco wells. These are issues which have been decided adverse to Pendragon already by three separate fact finders, and would seem to foreclose any request to restore any of the Chaco wells to production.

On the issue of production of documents, I appreciate your offer to produce documents, and we will accept any documents you will produce. However, given the past history of inadequate production in this case by Pendragon (recall that numerous documents were only produced to us on the day of the Division hearing in 1998), we would feel more comfortable operating under a formal subpoena. Attached is a copy of the issued subpoena directed to you. I have served the subpoena on C.T. Corporation also, in order to insure that Pendragon has no objection to the manner of service of process. While I believe you have all underlying data upon which we would rely to oppose the Application, I will pass your request for pressure data along to my clients. Obviously, since you do not intend to produce any exhibits to us prior to the day of the hearing itself, we will not produce any of our exhibits to you until that time also.

Your truly yours,

GALLEGOS LAW FIRM, P.C.

BY:


MICHAEL J. CONDON

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