



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

September 8, 2000

14070
MARKS AND GARNER PRODUCTION LTD CO
PO BOX 70
LOVINGTON, NM 88260

Re: Current Status of Oil and Gas Wells

In May of this year, the Oil Conservation Division ("Division") sent a letter to you setting forth the Division's information on wells for which you are the operator of record. The letter requested a response, and we appreciate your prompt attention to our request. The Division has updated its records based, in part, on your response.

The wells on the revised list, attached to this letter, have not shown production for in excess of one year. Based on the information in the Division's files and databases, these wells are not in compliance with the Division's rules and the New Mexico Oil and Gas Act. These wells must be brought into compliance with the law.

Please submit your plan to bring these wells into compliance including a schedule of activities with dates. Please submit this information to the Division within 30 days of the date of this letter.

Sincerely,

Tim Gum
District Supervisor

Enc.

OIL CONSERVATION DIVISION

CASE NUMBER _____

MGP EXHIBIT 3

14070

MARKS AND GARNER PRODUCTION LTD CO

PRO- PERTY	WELL NAME	USTR	API	DATE OF EARLIEST COMPLETION	APPROVED OCD STATUS*	LAST PRODUCTION	YEARS INACTIVE	WELL TYPE
16230	CAVE POOL UNIT #001	O-33-168-29E	30-015-02784	1900-01-01	SHUT IN	11-1992	6+	O
	CAVE POOL UNIT #003	I-04-178-29E	30-015-02892	1900-01-01	SHUT IN	04-1983	6+	O
	CAVE POOL UNIT #012	E-04-178-29E	30-015-02880	1900-01-01	SHUT IN	11-1992	6+	O
	CAVE POOL UNIT #014	G-04-178-29E	30-015-02881	1900-01-01	SHUT IN	05-1983	6+	O
	CAVE POOL UNIT #016	E-03-178-29E	30-015-02875	1900-01-01	T/A	12-1985	6+	O
	CAVE POOL UNIT #017	I-04-178-29E	30-015-02893	1900-01-01	SHUT IN	06-1977	6+	O
	CAVE POOL UNIT #019	K-04-178-29E	30-015-02886	1900-01-01	SHUT IN	11-1992	6+	O
	CAVE POOL UNIT #022	J-05-178-29E	30-015-02906	1900-01-01	SHUT IN	12-1992	6+	O
	CAVE POOL UNIT #030	O-04-178-29E	30-015-02891	1900-01-01	SHUT IN	11-1992	6+	O
	CAVE POOL UNIT #032	A-09-178-29E	30-015-02927	1900-01-01	SHUT IN	06-1977	6+	O
	CAVE POOL UNIT #041	E-08-178-29E	30-015-02926	1900-01-01	SHUT IN	02-1975	6+	O
X 21126	MOSLEY SPRING 32 STATE COM #002	N-32-238-25E	30-015-23341	1989-05-01	SHUT IN	04-1992	6+	G
X 16268	RED TWELVE LEVERS FEDERAL #0080	I-33-168-29E	30-015-25090	1984-11-14	SHUT IN	NONE		O
X 16250	RED TWELVE LEVERS FEDERAL #012	D-33-168-29E	30-015-25152	1985-01-04	SHUT IN	NONE		O
16250	RED TWELVE STATE #006 - B7596	K-05-178-29E	30-015-25055	1984-12-01	SHUT IN	01-1985	6+	O
16250	STATE #002 B7071	3-04-178-29E	30-015-02869	1900-01-01	SHUT IN	11-1998	1	O
16252	THROS STATE #001 - E10143	G-05-178-29E	30-015-24732	1984-01-01	SHUT IN	05-1989	6+	O

* T/A wells only show if the five-year T/A period has expired.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

FINAL NOTICE

CERTIFIED MAIL

January 22, 2001
MARKS AND GARNER PRODUCTION
P.O. BOX 70
LOVINGTON, NM 88260

RE: INACTIVE NON-COMPLIANCE WELLS

Dear Link:

During our meeting of 12/13/00 it was stressed that the Oil Conservation Division (OCD) currently is addressing all inactive non-compliance wells as a top priority statewide project. A mass mail out was made on May 11, and September 8, 2000 requesting information from each operator that had inactive wells.

To date, I have not received the work plan as discussed during our meeting.

By copy of this letter, the OCD director is requested to schedule a "Show Cause Hearing" to allow you the opportunity to appear and to show way a shut in order, order to plug and abandon all inactive non-compliance wells and/or to call for the forfeiture of your statewide bond is not issued. If your bond is called you can no longer operate in the State of New Mexico.

The "Show Cause Hearing" will be staved if an aggressive plan being detailed and specific as to type of work and time frame to bring all non-compliance wells into compliance is received in this office within 15 days of receipt of this letter.

Attached is the latest (11/16/00) OCD list of inactive non-compliance wells for your company a copy of which was given to you at our meeting.

TIM W. GUM

DISTRICT II SUPERVISOR
OIL CONSERVATION DIVISION

XC: LORI WROTENBERY ---- DIRECTOR
OCD ATTORNEY
ATTACHMENT

MARKSANDGARNERINACTIVE111600.xls

API #	Type	Last Production/ Injection	Well Name and Number	ULSTR	FNS	FEW
30-015-02784	O	11-1992	CAVE POOL UNIT #001	O-33-16S-29E	660S	1780E
30-015-02892	O	04-1983	CAVE POOL UNIT #003	1-04-17S-29E	985N	987E
30-015-02880	O	11-1992	CAVE POOL UNIT #012	E-04-17S-29E	1980N	660E
30-015-02881	O	05-1983	CAVE POOL UNIT #014	G-04-17S-29E	1980N	1980E
30-015-02875	O	12-1985	CAVE POOL UNIT #016	E-03-17S-29E	1973N	330W
30-015-02893	O	06-1977	CAVE POOL UNIT #017	I-04-17S-29E	2310S	660E
30-015-02886	O	11-1992	CAVE POOL UNIT #019	K-04-17S-29E	1980S	1880W
30-015-02906	O	12-1992	CAVE POOL UNIT #022	J-05-17S-29E	1980S	1980E
30-015-02897	S	03-1998	CAVE POOL UNIT #027	P-05-17S-29E	990S	990E
30-015-02891	O	11-1992	CAVE POOL UNIT #030	O-04-17S-29E	990S	2310E
30-015-02927	O	06-1977	CAVE POOL UNIT #032	A-09-17S-29E	660N	660E
30-015-02926	O	02-1975	CAVE POOL UNIT #041	E-08-17S-29E	1650N	330W
30-015-02903	I	07-1994	CAVE POOL UNIT #051	L-05-17S-29E	1650S	990W
30-015-02912	I	12-1992	CAVE POOL UNIT #053	H-07-17S-29E	1650N	330E
30-015-23341	G	04-1992	MOSLEY SPRING 32 STATE COM #002	N-32-23S-25E	660S	2030W
30-015-25090	O	NONE	RED TWELVE LEVERS FEDERAL #008Q	I-33-16S-29E	1980S	990E
30-015-25152	O	NONE	RED TWELVE LEVERS FEDERAL #012	D-33-16S-29E	660N	660W
30-015-24991	S	03-1998	RED TWELVE STATE #004	O-05-17S-29E	990S	2310E
30-015-25055	O	01-1985	RED TWELVE STATE #006	K-05-17S-29E	2310S	1650E
30-015-02889	O	11-1998	STATE #002	3-04-17S-29E	990N	1980W
30-015-24732	O	05-1989	THEOS STATE #001	G-05-17S-29E	1650N	1650E

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

1-25-01

TIM GUM
OIL CONSERVATION DIVISION
811 S FIRST
ARTESIA NM 88210

DEAR MR. GUM,

OUR C115 REPORTS REFLECT THAT ALL THE LISTED WELLS, EXCEPT
THE MOSLEY SPRING, ARE CURRENTLY PRODUCING.

I AM SORRY FOR THE MISUNDERSTANDING, AS I THOUGHT THAT
REPORT WOULD SUFFICE.

WE ARE PLANNING TO P&A THE MOSLEY SPRING 32-2 IN THE NEAR
FUTURE.

Very truly yours,


LINK MARKS
MEMBER-PARTNER

ENCLOSURE



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 29, 2001

MARKS AND GARDNER PRODUCTION
P.O. BOX 70
LOVINGTON, NM 88260

Dear Link:

Thank you for your letter response of January 25, 2001. The latest C-115's we have on file is for the month of February, 2000 and dated April 30, 2000 showing all the listed wells (attached list) to be inactive. It was discussed per our meeting of December 13, 2000 on how you could bring your inactive wells into compliance. Also, if you had documentation showing that the status was different from ours you were asked to finish copies. The attached list indicates the last reported production and injection as of November 16, 2000. Please finish this office a copy of your latest C-115 showing that the all wells shown on the attached list are producing as per your letter of 1/25/01. Please provide a specific date that the Mosley Spring 32-2 will be P & A'd.

This information should be received within 10 days of receipt of this letter.

Sincerely,

TIM W. GUM

A handwritten signature in cursive script that reads "Tim W. Gum".

DISTRICT II SUPERVISOR
OIL CONSERVATION DIVISION

XC: ATTACHMENT

API #	Type	Last Production/ Injection	Well Name and Number	ULSTR	FNS	FEW
30-015-02784	O	11-1992	CAVE POOL UNIT #001	O-33-16S-29E	660S	1780E
30-015-02892	O	04-1983	CAVE POOL UNIT #003	1-04-17S-29E	985N	987E
30-015-02880	O	11-1992	CAVE POOL UNIT #012	E-04-17S-29E	1980N	660E
30-015-02861	O	05-1983	CAVE POOL UNIT #014	G-04-17S-29E	1980N	1980E
30-015-02875	O	12-1985	CAVE POOL UNIT #016	E-03-17S-29E	1973N	330W
30-015-02893	O	06-1977	CAVE POOL UNIT #017	I-04-17S-29E	2310S	660E
30-015-02886	O	11-1992	CAVE POOL UNIT #019	K-04-17S-29E	1980S	1880W
30-015-02906	O	12-1992	CAVE POOL UNIT #022	J-05-17S-29E	1980S	1980E
30-015-02897	S	03-1998	CAVE POOL UNIT #027	P-05-17S-29E	990S	990E
30-015-02891	O	11-1992	CAVE POOL UNIT #030	O-04-17S-29E	980S	2310E
30-015-02927	O	06-1977	CAVE POOL UNIT #032	A-09-17S-29E	660N	660E
30-015-02926	O	02-1975	CAVE POOL UNIT #041	E-08-17S-29E	1650N	330W
30-015-02903	I	07-1994	CAVE POOL UNIT #051	L-05-17S-29E	1650S	990W
30-015-02912	I	12-1992	CAVE POOL UNIT #053	H-07-17S-29E	1650N	330E
30-015-23341	G	04-1992	MOSLEY SPRING 32 STATE COM #002	N-32-23S-29E	660S	2030W
30-015-25090	O	NONE	RED TWELVE LEVERS FEDERAL #008Q	I-33-16S-29E	1980S	990E
30-015-25152	O	NONE	RED TWELVE LEVERS FEDERAL #012	D-33-16S-29E	660N	660W
30-015-24991	S	03-1998	RED TWELVE STATE #004	O-05-17S-29E	990S	2310E
30-015-25055	O	01-1985	RED TWELVE STATE #006	K-05-17S-29E	2310S	1650E
30-015-02889	O	11-1998	STATE #002	3-04-17S-29E	990N	1980W
30-015-24732	O	05-1989	THEOS STATE #001	G-05-17S-29E	1650N	1650E

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

FEBRUARY 5.2001

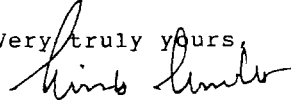
MR. TTM GUM
OIL CONSERVATION DIVISION, DIVISION.11
811 SOUTH FIRST STREET
ARTESIA NM 88210

DEAR MR. GUM,

ENCLOSED IS OUR DEC. 2001 C-115 REPORT. ALL WELLS SHOWN ON
THE ATTACHED LIST ARE PRODUCING.

WE HAD HOPED TO INTEREST YATES PETROLEUM, THE CURRENT
LEASE HOLDER, IN THE WELL BORE ON THE MOSLEY SPRING 32-2.
SO FAR THEY HAVE SHOWN LITTLE INTEREST, SO WE SHALL
COMMENCE P&A OPERATIONS IN THE EARLY SPRING (MAR.15).

Very truly yours,



LINK MARKS
MEMBER-PARTNER



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

October 10, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Marks and Garner Production Ltd. Co.
P.O. Box 70
Lovington, NM 88260

United States Fidelity & Guaranty Company
P.O. Box 7
Denver, CO 80201-0007

Re: Case No. 12757 ; Application of the New Mexico Oil Conservation Division for an Order Requiring Marks and Garner Production Ltd. Co. to Properly Plug Seventeen (17) Wells, Authorizing the Division to Plug Said Wells in Default of Compliance by Marks and Garner Production Ltd. Co, Ordering a Forfeiture of Applicable Plugging Bond and Assessing Civil Penalties for False Production Reporting; Eddy County, New Mexico

CERTIFIED MAIL, RETURN REIPT REQUESTED

Ladies and Gentlemen:

You are hearby notified of the filing of an application by the New Mexico Oil Conservation Division for an order directing you to plug seventeen (17) wells operated by Marks and Garner Production Ltd. Co. in Eddy County, New Mexico.

You are further notified that a hearing of this application will be conducted before a Division hearing examiner in the Division hearing room at 1220 South St. Francis Drive in Santa Fe, New Mexico, on Thursday, November 1, 2001, at 8:15 a.m.

At the hearing, you will have an opportunity to show cause, if any there be, why the wells that are the subject of this application should not be ordered plugged and abandoned in accordance with NMSA 1978 Section 70-2-12.B(1) and applicable Division regulations.

Very truly yours,

David K. Brooks
Assistant General Counsel

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

10-24-01

Oil Conservation Commission
Tim W. Gum
District 11 Supervisor
1301 West Grand
Artesia, New Mexico 88210

RE: Case 12757

Dear Mr. Gum,

As you recall, we have had several conservations concerning these wells being in compliance. This year we have twice filed form C-103's in regard to our intentions for workover. After my last visit to your office, I was under the impression that I should include "evaluation and test" on the 103 for approval. It was my assumption that you approved these wells for workover as agreed.

The following wells have had pumping equipment installed and are currently pumping or in some state of repair.

Cave Pool Unit #1
Cave Pool Unit #12
Cave Pool Unit #30
State #2

The following have had bridge plugs installed, and have been pressure tested for casing integrity.

Cave Pool Unit #51
Cave Pool Unit #53

The following well is designated and is currently an injection well.

Red Twelve State #4

The following wells were perforated and intended to make gas wells in the near future.

Red Twelve Federal #8Q
Red Twelve Federal #12

Every other well on the list has been swab tested as I thought was approved. We are still in favor of installing pumping equipment for continuous pumping after a test shows it to be profitable. If any mistakes have been made in our reporting ANY activity, it was totally in good faith and has been corrected with OCD in Santa Fe.

We bought these wells, along 35 others, from the United States Bankruptcy Court, thus saving the State of New Mexico any plugging liability. Marks and Garner has operated continuously in the State of New Mexico for 34 years, without any major complaints.

We are eager to abide by the rules and comply with the OCD in every way. If what we have completed up to now is totally unacceptable, we will commence setting BP's and testing casing, or P&A. We would like to start WO before November 1st. If this is acceptable, I ask that this case be continued to a January, 2002 hearing.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ernest L. Marks".

Ernest L. Marks

Member



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

October 24, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Hon. David Catanach,
Hearing Examiner
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 12757; Application of the New Mexico Oil Conservation Division for an Order Requiring Marks and Garner Production Ltd. Co. to Properly Plug Seventeen (17) Wells, Authorizing the Division to Plug Said Wells in Default of Compliance by Marks and Garner Production Ltd. Co, Ordering a Forfeiture of Applicable Plugging Bond and Assessing Civil Penalties for False Production Reporting; Eddy County, New Mexico

Dear Examiner Catanach:

The New Mexico Oil Conservation Division hereby requests a continuance of the hearing set in the referenced case on Thursday, November 1, 2001 until the next examiner docket on Thursday, November 15, 2001.

Notice of the subject hearing was attempted to be served on United States Fidelity & Guaranty Company, surety for the respondent, operator, by certified mail addressed to the agent who issued the bond. The notice letter was returned to the Division marked "Unclaimed." This continuance is requested so that notice may be mailed to the surety at its corporate offices.

Very truly yours,

David K. Brooks
Assistant General Counsel

Cc: Marks and Garner Production Ltd. Co.
P.O. Box 70
Lovington, NM 88260

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

FAX TRANSMITTAL

DATE 10-25-01

TO DAVID BROOKS

FAX 505 476 3006
3462

FROM E.L. LINK MARKS

NUMBER OF PAGES TO FOLLOW 3

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260


10-25-01

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural Resources Department of
The State of New Mexico
1220 S. St. Frances Drive
Santa Fe, NM 87505

Dear Mr. Brooks,

I am writing to request a continuance of the hearing set for November 1, 2001, case number 12757. Marks and Garner is not trying to get out of its obligation as an operator to bring certain wells into compliance. We have made several attempts to contact Mr Gum, but was told that he was on vacation. We feel there is a communication problem between us and the Artesia district. We plan to meet with Mr. Gum next week and feel certain our differences will be resolved. Find within a letter sent to the Artesia district and Mr. Gum setting forth the present condition of the listed wells. Your consideration of this request will be appreciated. If you have any questions or need any additional information, please call.

Sincerely,



Ernest L. Marks

Member-Partner

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

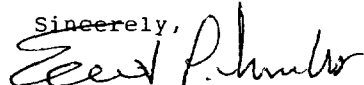
October 30, 2001

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural Resources Department of
The State of New Mexico
1220 South St. Frances Drive
Santa Fe, NM 87505

Dear Mr. Brooks,

On Monday, October 29th., a meeting was held with Mr. Tim Gum of the District 11 OCD. We were able to correct some of our differences concerning the wells listed for hearing. Mr. Gum suggested we write a letter to you asking for a continuance until sometime in December. By this time all of these wells will be in compliance. If you have any questions call me or Mr. Gum. Thank You.

Sincerely,



Ernest L. Marks

Member-Partner

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

October 30, 2001

Oil Conservation Division
Tim W. Gum
District 11 Supervisor
1301 West Grand
Artesia, NM 88210

Dear Mr. Gum,

Thank you for your time and patience concerning our well problems. After everyone voicing their concerns, I have a much better understanding as to what the OCD wants and requires.

As was discussed we will commence getting our operations into compliance immediately. We will keep the OCD notified as we continue our endeavor.

As you suggested we have Mr. Brooks for a continuance, a copy of that letter is within.

Again, thank you for your consideration in this matter, and we look forward to working with you.

Sincerely,



Ernest L. Marks

Member-Partner



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

November 15, 2001

Re: Case No. 12757
Marks and Garner Production, Ltd. Co.

Mr. Link Marks
Marks and Garner Production, Ltd. Co.
P.O. Box 70
Lovington, NM 88260

Dear Mr. Marks:

This will confirm that, in response to your request for additional time to bring Marks and Garner's wells into compliance with OCD Rules, OCD has agreed to continue the referenced case until December 6, 2001.

At that time, unless you are otherwise informed, the hearing will proceed in the OCD hearing room at 1220 S. St Francis Drive in Santa Fe, New Mexico at 8:15 a.m.

Very truly yours,

David K. Brooks
Assistant General Counsel

Cc: Tim W. Gum
Michael E. Stogner



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 4, 2001

Hon. David Catanach, Examiner
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505


**Re: Case No. 15757; Application of the New Mexico Oil conservation Division
for an Order Requiring Marks and Garner Production Ltd. Co. to Properly
Plug Seventeen (17) Wells, Etc.; Eddy County, New Mexico**

Dear Examiner Catanach:

Marks and Garner has filed C-103s evidencing an intention to plug some of these wells
and recondition others.

Accordingly, the Division requests that the hearing of this matter, which is scheduled for
Thursday, December 6, 2001, be continued to the January 10, 2002 Examiner Docket, in
order to give the operator an opportunity to bring these wells into compliance.

Very truly yours,


David K. Brooks
Assistant General Counsel

cc: ✓ Ernest L. Marks, Marks and Garner Production, Ltd. Co.
Wayne B. Anderson, St. Paul Surety
Tim W. Gum, OCD Artesia
Gerry Guye, OCD Artesia