

AGHORN OPERATING, INC.

P.O. Box 12663
Odessa, TX 79768-2663
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April 4, 2001

New Mexico Energy Minerals
And Natural Resources Department
811 South First Street
Artesia, NM 88210

Attn: Mr. Tim Gum

Re: Non-Compliant Well List
Plan of Operation



Dear Mr. Gum:

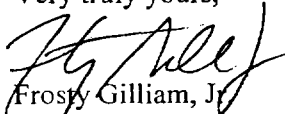
As a follow up to our most recent correspondence, please find enclosed attachment of Exhibit 'A' which is our record of the wells operated by Aghorn and the status of each. As can be seen from the list, there are nine wells which do not appear to be in compliance with the rules and regulations of the New Mexico Energy, Minerals and Natural Resources Department.

Aghorn in its efforts to be a responsible operator hereby submits as Exhibit 'B' our proposed plan of operations for these wells considered to be non-compliant. Our first order of business is to schedule a time with your field representative to witness mechanical integrity tests on all injection wells in the Northeast Square Lake Unit. Please contact me at your convenience so that we may schedule that testing.

Thank you again for your patience and consideration in our requests. Granted, we still have some work to do, but considering where we started and the confusion associated with the change of ownership I feel as though we have done some good.

I look forward to hearing from you soon.

Very truly yours,

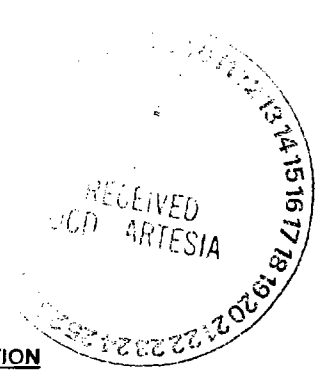

Frosty Gilliam, Jr.
President

FG\mc

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 7
CASE NO.	12811

EXHIBIT

"A"



<u>LEASE NAME</u>	<u>WELL #</u>	<u>MAR 01</u> <u>STATUS</u>	<u>MAR 01</u> <u>STATUS</u>	<u>PLAN OF OPERATION</u>
<u>EDDY COUNTY:</u>				
EDDY AGA STATE	1	SI	ACTIVE	
	3	SI	ACTIVE	
R.T. WILSON FEDERAL	1	SI	ACTIVE	
	2	SI	ACTIVE	
	3	SI	SI	Electric Equipment Installed. WO Pulling Unit
	4	SI	ACTIVE	
	5	SI	ACTIVE	
E.D. WHITE FEDERAL	1	SI	ACTIVE	Active
SHUG A	1	SI	ACTIVE	
	2	SI	ACTIVE	
B.I. HANSON	1	SI	SI	Moving Equipment
	2	SI	ACTIVE	
BLACKSHIELD STATE	1	ACTIVE	ACTIVE	
NORTHEAST SQUARE LAKE	2	SI	SI	Evaluating Offset Production
	3	SI	SI	Evaluating Offset Production
	5	SI	ACTIVE	
	6	SI	SI	
	7	SI	ACTIVE	
	8	SI	SI	
	9	SI	SI	
	10	SI	ACTIVE	
	11	SI	ACTIVE	
	12	SI	SI	
	13	SI	ACTIVE	
	18	ACTIVE	ACTIVE	
	20	SI	SI	
	21	SI	SI	
	22	SI	ACTIVE	
	25	SI	SI	
	26	SI	ACTIVE	
	30	SI	ACTIVE	
	31	SI	ACTIVE	
<u>LEA COUNTY:</u>				
READ & STEVENS STATE	1	ACTIVE	ACTIVE	
FEDERAL 31	1	SI	ACTIVE	
WARREN AMERICAN	1	SI	ACTIVE	

EXHIBIT "B"

WELL NAME:

WELL NO.

PLAN OF OPERATION

R. T. WILSON

3 Waiting on Rig - Will be Active by April 15, 2001

B.I. HANSON

1 Moving Equipment - Will be Active by April April 15, 2001

NORTHEAST SQUARE LAKE

2 Will move production equipment on by May 15, 2001

3 Needs MIT To Determine Operations

6 Will move production equipment on by May 15, 2001

8 Needs MIT to Determine Operations

9 Will move production equipment on by May 15, 2001

12 Needs MIT to Determine Operations

20 Will move production equipment on by May 15, 2001

21 Needs MIT to Determine Operations

25 Needs MIT to Determine Operations

TOTAL MIT'S TO BE RUN

NESLU NO. 3,5,8,10,12,21 & 25

EDDY COUNTY:

ALTO STATE	1	SI	P&A
MANSELL STATE	1	SI	P&A