



September 18, 2001



Mr. Tim Gum
District II Supervisor
New Mexico Energy, Minerals
and Natural Resources Department
1301 W. Grand Ave.
Artesia, NM 88210

**Re: South Red Lake Grayburg Lease
(McQuadrangle, L.C.)**

Dear Mr. Gum:

This letter is in reference to your letter dated August 27, 2001, and to the information received from you concerning the status of other wells involved.

1. Attached, please find a status report indicating the moneys spent through September 15, 2001, by McQuadrangle, L.C. since its success of repossessing the above referenced property from the Mason Phillips Group. In an attempt to get this lease back on tract the expenditures total Six Hundred Twenty-four Thousand Seven Hundred Dollars and Ninety-four Cents (\$624,790.94), to date.
2. The status report of injection wells in need of repair.
3. Status of production wells in need of repair.

BEFORE EXAMINER STOCNER	
OCD OF MASON PHILLIPS GROUP	
OCD	NO. 128
CASE NO.	12811

Included with the status reports is a proposed time frame and priority list of the continued repair procedures. After you have had an opportunity to review these reports and in the event that you have continued questions and/or concerns about the

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ongoing repairs of the property, I would be more than happy to meet with you in
Artesia for the purposes of discussing my proposal in more detail.

Sincerely,



Delbert G. McDougal
McQuadrangle, L.C.
Managing Agent

Attachments

DGM:at

cc: Mark Murdock (w/attachments)
Frank Tidwell (w/attachments)

McDougal Companies

7008 Salem Avenue • Lubbock, Texas 79424 • (806) 797-3162
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RED LAKE WELL STATUS

<u>Well Number</u>	<u>Total</u>
1	\$ 16,960.81
2	\$ 862.08
3	\$ 786.45
4	\$ 4,299.11
5	\$ 27.32
6	\$ 662.58
7	\$ 28,072.62
8	\$ 1,307.51
9	\$ 1,337.06
11	\$ 2,624.85
12	\$ 8,077.34
13	\$ 16,421.23
14	\$ 12,494.41
15	\$ 17,972.83
17	\$ 21,410.12
18	\$ 489.51
19	\$ 177.17
20	\$ 488.54
21	\$ 2,626.41
22	\$ 507.40
23	\$ 62.72
24	\$ 62.72
25	\$ 5,126.57
26	\$ 2,377.29
27	\$ 18,747.34
28	\$ 1,252.98
29	\$ 11,691.23
30	\$ 5,306.25
31	\$ 2,427.00
34	\$ 438.71
35	\$ 944.61
36	\$ 1,616.40
37	\$ 8,145.32
38	\$ 1,016.89
41	\$ 58,854.27
43	\$ 14,127.24
44	\$ 7,181.26
46	\$ 23,686.30
47	\$ 2,386.86
50	\$ 2,510.10
51	\$ 5,986.52
Miscellaneous	\$ 313,237.01
TOTAL	\$ 624,790.94

**Status Report
Inoperative Injection Wells**

Well No.	Status	Comments
3	Inactive	See Attached
6	Inactive	See Attached
17	Inactive	See Attached
18	Inactive	See Attached
21	Inactive	See Attached
39	Inactive	See Attached

The total lease consists of seventeen (17) injection wells.
Eleven are active.
Six are inactive.

Priority Repair Schedule
For
Inoperative Injection Wells

Well No.	Priority	Completion Date
6	1	November 30, 2001
17	2	January 15, 2002
18	3	February 28, 2002
21	4	March 31, 2002
*39	5	May 31, 2002
3	6	June 30, 2002

*The previous report received from you indicates Well #41 an inoperative. This well is active and operating properly. I believe this should have been listed as Well #39, which is inactive and listed on the repair schedule above.

Status Report
Inactive Production Wells

Well No.	Priority	Completion Date
46	1	December 31, 2001
10	2	June 30, 2002
24	3	August 31, 2002
23	4	October 31, 2002
22	5	December 31, 2002
45	6	February 28, 2003
16	7	April 30, 2003
32	8	April 30, 2003
5	Converted to Injection Well	June 30, 2003

For Information Purposes Only:

Total Production Wells..... 28

Active Wells.....19

Inactive Wells.....9*

* This includes Well #5 to be converted to Injection Status.