



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 28, 2004

Momentum Operating Company, Inc.

P.O. Box 578

Albany, TX 76430

Attn: Mr. Bob Tidwell or to Whom It May Concern

**RE: To shut-in and cease production on the Shugart #7 well, located in Section 7 of T-18-S R-31-E
,990' FNL & 890' FNL, Eddy County, New Mexico.
API # 30-015-10169**

Dear Mr. Tidwell or To Whom It May Concern,

In regards to the above well, the New Mexico Oil Conservation Division (NMOCD) has not received regulatory information which was asked for on May 5, 2004. Please submit a completion report (on BLM Form 3160-4) and NMOCD Form C-104. This well is to be shut immediately until the required regulatory information is received and approved. The NMOCD rules below note the specific violations:

1104 REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (Form C-104)

- 1104.A. Form C-104 completely filled out by the operator of the well must be filed in QUINTUPLICATE before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by Rule 111. [1-1-65...2-1-96]
- 1104.B. The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the Form C-104 is received by the Division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool rules, the allowable assigned to a gas well shall be effective at 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the Division, or the date of receipt of Form C-104 by the Division, whichever date is later. [1-1-65...2-1-96]

1105 WELL COMPLETION OR
RECOMPLETION REPORT AND LOG (Form
C-105)

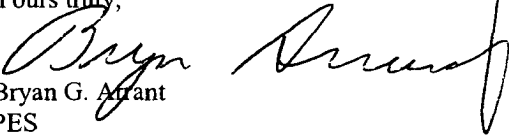
- 1105.A. Within 20 days following the completion or recompletion of any well, the operator shall file Form C-105 with the Division. It must be filed in QUINTUPLICATE and each copy accompanied by a summary of all special tests conducted on the well, including drill stem tests. In addition, one copy of all electrical and radio-activity logs run on the well must be filed with Form C-105. If the Form C-105 with attached log(s) and summaries is not received by the Division within the specified 20-day period, the allowable for the well will be withheld until this rule has been complied with. [1-1-65...2-1-96]

19.15.1.14 UNITED STATES
GOVERNMENT LEASES:

Operator shall file or cause to be filed with the division copies of "application for permit to drill, deepen or plug back," (BLM form no. 3160-3), "sundry notices and reports on wells," (BLM form no. 3160-5), and "well completion or recompletion report and log," (BLM form no. 3160-4), as approved by the bureau of land management for wells on U.S. government land. [1-1-50...2-1-96; 19.15.1.14 NMAC - Rn, 19 NMAC 15.A.14, 5-15-01]

Please call if you have any questions regarding this matter.

Yours truly,



Bryan G. Arant
PES

E-mail: Tim Gum. District Supervisor, Artesia