

PRIMERO
OPERATING, INC.

OPERATIONAL MATTERS:
POST OFFICE BOX 1433
ROSWELL, NEW MEXICO 88202
(505) 622-1001 FAX (505) 625-0227

RECEIVED

~~LAND & LEGAL MATTERS:~~
~~POST OFFICE BOX 2328~~
~~ROSWELL, NEW MEXICO 88202~~
~~(505) 622-2840 FAX (505) 625-9888~~

June 16, 1994

JUN 17 '94

C. C. D.
ARTESIA, OFFICE

Re: Hi-Way State #1
State NM Oil and Gas
Lease V-3008
T10S, R27E Sec 36:All
Chaves County, N.M.
Application to Drill

Jim Morrow
NMOCD District II, Artesia
P.O. Drawer DD
Artesia, N.M. 88211-0719

Dear Jim:

Primero Operating, Inc plans to begin drilling the subject well this month. The well is to be located on a non-standard location which is 2417' from the South line and 2245' from the East line of the section. These footages put the location only 223' from the north boundary of unit J or about 107' nonstandard.

We have located the well on this location because of a 3-D seismic survey that we ran this spring. We know from experiences of other operators in the area that it is crucial to locate devonian tests on the absolute highest point on the structure.

I called Mr. Stogner in Santa Fe on June 13 to ask for administrative approval of the non-standard location but he told me that we could not get approval on a non-standard location due to geologic reasons without a hearing. Our lease expires as of July 1, 1994 so we do not have time to go through the hearing process. Mr. Stogner advised us to go ahead and drill the well without approval of the non-standard location and a hearing would be conducted when necessary.

That afternoon I mailed an application to drill the well to your office. Today I had a conversation with Mark Ashley and you in which you informed me that you could not approve my location to drill without approval for the non-standard location. Even though you could not approve the