

DOYLE HARTMAN

Oil Operator

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Via FedEx

August 13, 2002

NSL-4773<SD>

Michael Stogner, Chief Hearing Officer
New Mexico Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Simultaneous Dedication

H. M. Britt No. 2 located 660' FNL and 1980' FWL (C) - *Denied*

H. M. Britt No. 4 located 660' FNL and 1980' FEL (B)

H. M. Britt No. 5 located 1980' FSL and 1980' FWL (K)

H. M. Britt No. 11 located 1650' FNL and 1650' FEL (G) - *Denied*

H. M. Britt No. 14 located 1400' FSL and 2310' FEL (J)

Section 7, T-20-S, R-37-E

Lea County, New Mexico

(Eumont Gas Pool)

Dear Mr. Stogner,

Reference is made to the Hartman-operated H. M. Britt 320-acre non-standard Eumont proration unit consisting of E/2 W/2 and W/2 E/2 Section 7, T-20-S, R-37-E. The subject non-standard proration unit was approved by NMOCD Order No. R-5448 dated June 8, 1977 (copy enclosed). The order also approved simultaneous dedication of the H. M. Britt No. 3 and No. 12 wells to the subject 320-acre non-standard gas proration unit. The H. M. Britt No. 3 well is located 2310' FNL and 1650' FEL (G), Section 7, T-20-S, R-37-E. The H. M. Britt No. 12 well is located 330' FNL and 2281' FWL (C) Section 7, T-20-S, R-37-E. Reference is also made to Administrative Order SD-99-9 dated August 23, 1999 (copy enclosed), which authorized Hartman to simultaneously dedicate H. M. Britt No. 1 well to the previously approved non-standard gas proration unit. The H. M. Britt No. 1 well is located 1980' FNL and 1980' FWL (F), Section 7, T-20-S, R-37-E.

Reference is now made to the various notices (copies enclosed) from the Bureau of Land Management (BLM) concerning the H. M. Britt No. 2, No. 4, No. 5, and No. 11 wells. The subject wells had been shut-in and temporarily abandoned for a considerable time. As can be ascertained from the various notices, the BLM required that the subject wells be returned to beneficial use, or properly plugged and abandoned in accordance with applicable laws, rules, regulations and orders. Reference is also made to NMOCD Order No. R-9210. Regarding long-time temporarily abandoned/shut-in wells, the order essentially states that an operator must do one of the following: the well be placed back into beneficial use, the well be temporarily

abandoned in accordance with NMOCD Rule 203, or the well be plugged and abandoned in accordance with NMOCD Rule 202.

For many years the H. M. Britt Lease, which is situated on top of the Monument structure, has experienced serious water problems. The significant water problems were caused by a combination of the following: long-time defective wellbores, and an active and ongoing water drive, in the Grayburg and Lower Penrose intervals. The long-time defective wellbore problem, in most part, is the result of prior non-prudent operating practices that date as far back as the mid-1930's to the mid-1950's, including inadequate defective cement jobs, corroded casing, and inner-zonal communication. As a matter of fact, it appears the original Britt Lease owners, for many years, avoided bringing the wells into proper compliance. After a review of the Britt Lease well files it is apparent that the deeper Britt wells were inadequately cemented during the drilling and completion process. These inadequate cement jobs have resulted in a loss of valuable oil and gas reserves over the past 46 years (approximately). Although inferior cement jobs have been a general problem across the top of the Monument structure, any competent large oil company should have realized that high-volume water-productive Grayburg-San Andres strata should have been properly isolated from the non-water-productive Lower Queen-Grayburg gas and oil reserves. Unfortunately, in many instances this did not occur.

In light of the foregoing, Hartman and the other current Britt Lease working interest owners were presented with a substantial mess to repair. In accordance with the various government mandates, we commenced the required wellbore repairs for the subject Britt Lease wells in May, 2001. At that time, we decided it would not be prudent to perform the necessary repairs without simultaneously returning the long-time shut-in wells to production. Opting to return the wells to beneficial use would protect the lessor, in this instance the United States of America, from potential drainage by offset leases. In the case of the H. M. Britt Lease, the offset operators are as follows: ChevronTexaco, BP Amoco, Conoco, Kerr-McGee, Cruy, and John H. Hendrix Corporation. Returning the wells to beneficial use would be economically advantageous to the Britt lease working interest owners, the Lea County economy, and the State of New Mexico (due to increased production tax revenue). During the course of the required wellbore repairs, the Britt Lease working interest owners invested \$2,049,000 in the Lea County economy. Having returned the wells to beneficial use will allow us to properly exploit our remaining recoverable Britt Lease Eumont gas reserves.

In October, 2000, prior to commencing the required Britt Lease wellbore repairs, Hartman drilled and completed the H. M. Britt No. 14 well as a Eumont gas producer. By drilling and completing the H. M. Britt No. 14 well, the Britt Lease working interest owners invested \$499,000 in the Lea County economy.

Please refer to the enclosed "Reserves and Economics" and the production decline curves for the H. M. Britt No. 2, No. 4, No. 5, No. 11 and No. 14 wells. By successfully returning the subject Britt Lease wells to beneficial use, an additional 6.524 BCF can be recovered from the H. M. Britt lease. As a result, these increased, recoverable reserves will continue to supply America with an inexpensive, clean energy alternative, and decrease our dependence for imported oil supplied by hostile, anti-American foreign governments. Over a 38-year period the increased,

recoverable reserves will also generate \$1,934,467 in production tax revenue for the State of New Mexico, and \$2,811,726 in royalties for United States of America.

In consideration of the foregoing, we respectfully request administrative approval to simultaneously dedicate our H. M. Britt No. 2, No. 4, No. 5, No. 11 and No. 14 wells to the previously approved H. M. Britt 320-acre non-standard gas proration unit. Finally, in accordance with applicable NMOCD regulations, a copy of this letter is being provided to all diagonal and adjacent Eumont gas operators (table and plat included).

Very truly yours,

DOYLE HARTMAN, Oil Operator



Steve Hartman
Engineer

Enclosures

cc: Chris Williams, District I Supervisor
New Mexico Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
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BP Amoco Corporation
P.O. Box 3092
Houston, TX 77253

John H. Hendrix Corp.
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Midland, TX 79702

Conoco Inc.
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Midland, TX 79705-4500

Kerr-McGee Corp.
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