



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

February 21, 2001

ARCO Permian
ATT: Elizabeth A Casbeer
P O Box 1610
Midland, TX 79702

RE: Intents to Drill
McDonald WN State #37-C, 25-22s-36e
McDonald WN State #35-J, 14-22s-36e
McDonald WN State #38-J, 36-22s-36e

Gentlemen:

This office was not aware of the fine points of a declaratory judgment made on December 15, 2000. The Declaratory judgement stated that no well should be drilled or additional infill wells on a spacing unit in the Jalmat or Eumont Gas pools without notice and due process to affected parties, and a public hearing to be set.


As per the phone conversation between Donna Pitzer and Elizabeth Casbeer on this date concerning the wells listed above should not have been approved for drilling.

For the reason stated in the judgement, these wells are now **canceled**. If ARCO wishes to go forward they must notify off set operator and arrange for a hearing date, and then resubmit the intents to drill.

If you have any questions on this matter, please contact Donna Pitzer or Paul Kautz at the OCD office in Hobbs.

Yours truly,

OIL CONSERVATION DIVISION


Paul Kautz
District I, Geologist

PK:dp

Cc: OCD Santa Fe
BLM
State Land Office
OCD Hobbs

Attachment

FIRST JUDICIAL DISTRICT
STATE OF NEW MEXICO
COUNTY OF SANTA FE

DOYLE HARTMAN, OIL OPERATOR,

Plaintiff,

v.

NEW MEXICO OIL CONSERVATION
DIVISION, LORI WROTENBERY, DIVISION
DIRECTOR,

Defendants.

No. D-0101-CV9902927

STIPULATED DECLARATORY JUDGMENT

Plaintiff Doyle Hartman, Oil Operator filed his Motion for Summary Judgment herein on December 15, 2000, which was supported by a Memorandum and Affidavit of Linda Land. The defendants New Mexico Oil Conservation Division ("Division") and Lori Wrotenbery, Division Director, agree to the granting of the plaintiff's motion by the entry of this Declaratory Judgment in the terms hereafter stated and the Court being fully advised IT IS THEREFORE ORDERED AND DECREED as follows:

1. The approval of drilling an additional well or wells on a spacing unit ("infill drilling") in the Eumont and Jalmat Gas Pools shall be administered in a manner that affords due process to affected parties, including notice, an opportunity to object and in the case of objection a right to public hearing in accordance with Division Rule 104.

2. In accordance with those principles it is provided that in the event an operator files an application with the Division for approval of an additional well or wells in the Eumont Gas Pool or the Jalmat Gas Pool, which if allowed would result in spacing

of less than 160 acres per well on a proration unit, the infill well or wells may be permitted only after notice pursuant to Division Rule 1207A(2) and opportunity for hearing for affected persons. The application must be supported by evidence that the additional well or wells are necessary to efficiently and economically drain the proration unit, will prevent waste and protect correlative rights.

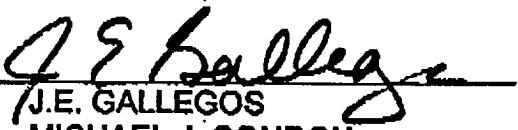
3. Each party shall bear their own costs and fees incurred in this matter.


JUDGE JIM HALL

JAMES A. HALL
DISTRICT COURT JUDGE

AGREED AND APPROVED:

GALLEGOS LAW FIRM, P.C.

By 
J.E. GALLEGOS
MICHAEL J. CONDON
Attorneys for Doyle Hartman, Oil Operator

By 
MARILYN S. HEBERT
Attorney for New Mexico Oil Conservation
Division and Lori Wrotenbery, Director