



Mr. Jerry Sexton
New Mexico Oil Conservation Division
P.O. Box 1980
Hobbs, New Mexico 88240

Dear Mr. Sexton,

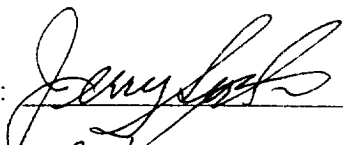
We recently completed the SDE Federal 31 #2 (Unit C, Sec. 31, T23S, R32E) to the Sand Dunes South, Bone Springs formation. Initial production rates show the potential for this well to produce above the allowable, as well as above the current GOR limit. As this is our first well in the pool, we are unsure as to our future development plans at this point. Other existing wells in the pool are very poor producers, but have different completions from ours. The only other well with comparable completion and results is an Enron well drilled only one month prior to ours; information on this well is, understandably, held tightly by Enron.

With your permission, we would like to produce this well to its fullest potential for a three week period. Given the unusual nature of this well's production for this pool, this will allow us to better evaluate the future performance of the well and establish a development plan. At the end of the three weeks, we will, of course, shut the well in to make up for any overproduction.

Thank you for your attention to this matter.

Terry L. Frazier
Hobbs Operating Unit Manager

DAB/s

Approved: 
Date: 12-16-97

At the end of this three week time frame, we would like an accounting of production and overage.