

DOYLE HARTMAN

Oil Operator

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March 14, 1991
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State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88140-1980

Attention: Mr. Jerry Sexton
District I Supervisor

Re: Carter Eaves "NCT-A" Lease
NW/4 NW/4 and E/2 W/2
Section 6, T-24-S, R-37-E
Lea County, New Mexico

Gentlemen:

Enclosed please find the following State of New Mexico OCD forms pertaining to the above lease:

- 1) NMOCD Form C-102 pertaining to the newly drilled and completed Carter Eaves "NCT-A" No. 2 (D) well dedicating the 37.94 acre NW/4 NW/4 (Lot No. 4) tract to the No. 2 well as a Jalmat (T-Y-7R) oil producer.
- 2) NMOCD Form C-104 requesting an allowable and authorizing the transportation of oil and gas from the Carter Eaves "NCT-A" No. 2 (D) well.
- 3) NMOCD Form C-105 detailing the completion of the Carter Eaves "NCT-A" No. 2 (D) well.
- 4) NMOCD Form C-103 detailing the fracture stimulation of the Carter Eaves "NCT-A" No. 2 well.
- 5) NMOCD Form C-116 Gas-Oil Ratio test pertaining to the Carter Eaves "NCT-A" No. 2 (D) well after the well was fracture stimulated.

As based upon the enclosed form C-116, the gas-oil ratio on the Carter Eaves "NCT-A" No. 2 establishes the well as a Jalmat (T-Y-7R) oil producer. We had originally permitted the well as a Jalmat gas producer and had submitted an NMOCD Form C-102 dedicating the non-standard 197.75 acre gas proration unit consisting of Lots 3 and 4, the SE/4 NW/4 and the E/2 SW/4 of Section 6 to the proposed Carter Eaves "NCT-A" No. 2 well. The non-standard 197.75 acre proration unit was approved by the NMOCD's Order No. R-9437 dated January 24, 1991.

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In accordance with the January 24, 1991 Order No. R-9437, Chevron USA Inc., the operator of the existing Jalmat Gas Pool Carter Eaves "NCT-A" No. 1 well located in Lot 3 (Unit C) of Section 6 assigned their interest in the 159.8 acre (E/2 W/2) proration unit to Hartman. Chevron also agreed to plug and abandon the producing Jalmat interval in the No. 1 (C) well prior to any allowable being assigned to the proposed Carter-Eaves "NCT-A" No. 2 well.

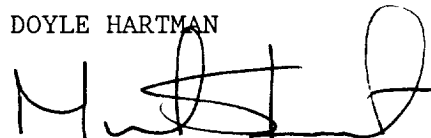
However, after drilling and completing the Carter Eaves "NCT-A" No. 2 (D) well and discovering it to be a Jalmat oil producer, we are forced to allocate the 37.95 acre Lot 4 (Unit D) of the approved 197.75 acre non-standard gas proration unit to the Carter Eaves "NCT-A" No. 2 well. The 159.8 acre (197.75 acres - 37.95 acres) balance of the recently approved proration unit that being the original non-standard proration unit (NSP-726) will remain dedicated to the Carter Eaves "NCT-A" No. 1 (C) well which Hartman will assume operations and the associated plugging responsibilities of from Chevron. In conjunction with this I have enclosed an NMOCD Form C-102 reestablishing the 159.8 acre NSP-726 as dedicated to the Carter Eaves "NCT-A" No. 1 (C) and Form C-104 changing the operator of the No. 1 well from Chevron USA Inc. to Doyle Hartman.

In addition, we are currently in the process of staking a proposed infill Jalmat gas well to be located in the SE/4 SW/4 (Unit N) of Section 6 to be simultaneously dedicated to the 159.8 acre E/2 W/2 non-standard proration unit (NSP-726). An application for such a proposed Carter Eaves "NCT-A" No. 4 well will be soon forthcoming. There are several topographic constraints we have encountered in the SE/4 SW/4 ranging from main gas transmission lines and power lines to existing wellbores which may force such a location in Unit N to be unorthodox. Following a final field inspection of the area, we will submit the appropriate NMOCD forms providing for the drilling of the Carter Eaves "NCT-A" No. 4.

Should you have any questions concerning this matter or require additional information, please contact me.

Very truly yours,

DOYLE HARTMAN

A handwritten signature in black ink, appearing to read 'Michael Stewart', is written over the typed name.

Michael Stewart
Engineer

MS/lr
Enclosures
555:OCD0314