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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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December 11, 1995

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Oil Conservation Division

Mrs. Jamie Bailey
Office of the Commissioner of Public Lands
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

*Re: NMOCD Cases 11297 and 11298
Application of Exxon Corporation for Waterflood Project,
Carbon Dioxide Project and Statutory Unitization
Avalon-Delaware Unit, Eddy County, New Mexico*

Dear Mrs. Bailey:

On December 14, 1995, the New Mexico Oil Conservation Commission is scheduled to hearing the subject case which involves Exxon's desire to include State of New Mexico Oil & Gas Lease No. K-6527-1 (E/2E/2 of Section 25, T20S, R27E) in both its proposed waterflood project and its carbon dioxide flood project.

My client is Premier Oil & Gas Inc. who is the current lessee of this lease and who is opposed to its inclusion in the unit.

I am aware that your responsibilities as an employee of the Commissioner of Public Lands ("Land Office") have involved gathering information and making recommendations concerning whether it is in the best interests of the Land Office to include certain State of New Mexico oil & gas leases in units such as this.

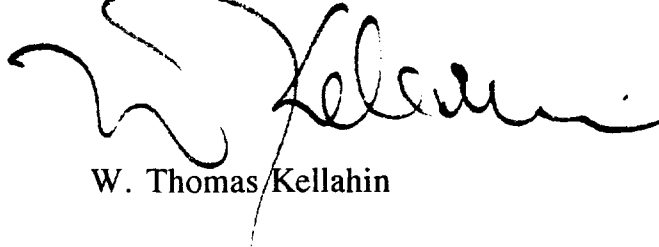
While I have the greatest respect for your expertise and your professionalism, I am concerned that your responsibilities to the Land Office this particular case have created a conflict of interest which would preclude you from participating as a member of the Oil Conservation Commission.

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The Land Office has already granted preliminary approval of this unit which includes the disputed tract. Should you ultimately decide in favor of my client, then your actions would be contrary to the decision made by the Land Office.

I would appreciate knowing (a) if you have any reservations about participating in this case, and (b) if you have had any personal involvement on behalf of the Land Office with this unitization effort by Exxon. If so, can you ignore that past involvement and decide this case regardless of the affect that decision might have upon the Land Office and its prior approval to include this tract in this unit.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

cc: Ken Jones (Premier)
cc: William J. LeMay (Chairman-OCC)
cc: *Jim Bruce, Esq. (Exxon)*
cc: *William F. Carr, Esq. (Yates)*