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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

November 17, 1998

VIA FACSIMILE

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan
P. O. Box 2208
Santa Fe, New Mexico 87505

Re: NMOCD Case 12063
Application of Matador Petroleum Corporation
for Compulsory Pooling,
E/2 Section 28, T19S, R33E
Lea County, New Mexico

Re: NMOCD Case 12048
Application of Penwell Energy, Inc.
for Compulsory Pooling
E/2 Section 28, T19S, R33E
Lea County, New Mexico

Dear Mr. Carr:

As you know, both Matador and Penwell have filed competing compulsory pooling applications which were to have been heard on November 5, 1998 until Penwell unilaterally continued its case. In response, Examiner Catanach with your concurrence agreed to continue both the Matador case and the Penwell case so that they could be heard on the same docket on November 19th with the specific stipulation that Penwell would not be granted any further continuances.

Yesterday, just three days prior to the hearing, I received your letter on behalf of Penwell requesting that my client, Matador provide Penwell with a copy of the well log on Matador's Diamante well. Early this afternoon, in response to your request, Matador delivered a copy of that log to Penwell's office in Midland.

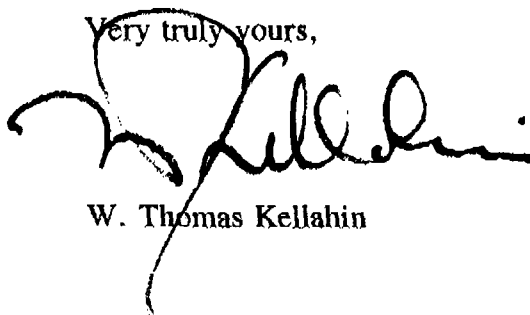
William F. Carr, Esq.
November 17, 1998
Page 2

Now today at 11:30 AM, less than two days prior to the hearing, and with less than 24 hours to comply, I received from your office a subpoena which requires that tomorrow morning at 9:00, Matador produce more data on the Diamante well. This comes as a total surprise because you never mentioned any desire for anything other than the log which I have already provided. Why did your client wait until less than two days before the hearing to attempt to obtain this data?

I hope that your client is not seeking this additional information as an attempt to delay the hearing set for Thursday. I am also curious why your client is pursuing this matter when it is public knowledge that Penwell wants to sell its interest in this tract and all its other New Mexico properties and does not intend to drill its proposed well.

I consider this latest request unreasonable and ask that you voluntarily withdraw it. Please advise me how you would like to proceed.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. Thomas Kellahin

cfx: Mr. Mark Ashley
Hearing Examiner-OCD
cfx: Matador Petroleum Corporation
Attn: Barry Osborne