

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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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

JASON KELLAHIN (RETIRED 1991)

November 2, 1999

VIA FACSIMILE

Mr. David R. Catanach, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Motion to Dismiss Cases 12229 and 12234

- (a) ***NMOCD Case 12229 Application of OXY USA Inc. for compulsory pooling, N/2 Sec 4, T18S, R29E (Buckskin Federal Well No. 1) Eddy County, New Mexico***
- (b) ***NMOCD Case 12234: Application of Louis Dreyfus Natural Gas for compulsory pooling, N/2 Sec 4, T18S, R29E, Eddy County, New Mexico.***

Dear Mr. Catanach:

I represent OXY USA, Inc. and Mr. Carr represents Louise Dreyfus Natural Gas in the referenced cases. They were originally set to be heard on September 2, 1999. Just two days prior to hearing it was determined by a title attorney that there was a 30 year old joint operating agreement which was still in effect for a majority of the proposed spacing unit including the well site. These cases have been repeatedly continued. Mr. Carr and I have reviewed that matter and concur in the title attorney's opinion.

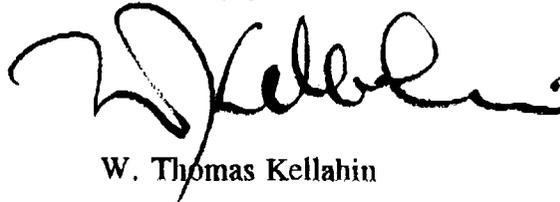
As a consequence, Oxy USA Inc. is obligated to dismiss its compulsory pooling application and to concede operations to Louis Dreyfus in accordance with provisions of the joint operating agreement.

New Mexico Oil Conservation Division
November 2, 1999
-Page 2-

In addition, all parties have voluntarily agreed to participate in this well to be drilled and operated by Louis Dreyfus as evidenced by Exhibits A-D, attached.

There is now unanimous agreement for participation by all working interest owners in this spacing unit. Accordingly, OXY USA, Inc. hereby moves that the Division dismiss the Louis Dreyfus pooling case docketed as Case 122334 now set for hearing on November 4, 1999.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

cfx: William F. Carr, Esq.
attorney for Louis Dreyfus
cfx: OXY USA Inc.
Attn: Richard Foppiano



T. Kent Woolley, CPL
Landman Advisor

OXY USA INC.
Box 50250, Midland, TX 79710

Phone (915) 685-5906
Fax (915) 685-5742

September 14, 1999

VIA FACSIMILE
405-749-6662

Louis Dreyfus Natural Gas Company
14000 Quail Springs Pkwy, Ste 600
Oklahoma City, OK 73134-2600
Attn: Joe Hammond

RE: Proposed Loco Hills "4" Fed Com #1
N2 Section 4, T18S-R29E
Eddy County, New Mexico

Dear Joe:

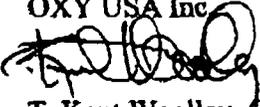
Attached is an executed AFE for the captioned well. OXY USA Inc. has a 6.66667% contractual interest in the W2 NW4 of said Section 4. The attached executed AFE pertains only to this interest.

OXY reserves its right to make an election 4 under the provisions of the Operating Agreement dated April 1, 1968.

As a consequence to this letter and election, we request that you withdraw OXYUSA Inc., Wilson & Barr, McCombs Energy, LLC and Andrews and Corkran, LLC from your compulsory application.

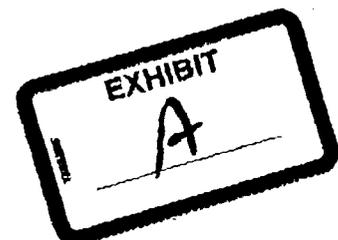
Should you have any questions please feel free to contact me.

Yours truly,
OXY USA Inc.


T. Kent Woolley, CPL
Landman Advisor

TKW/nce
Enclosures

cc: Donnie Hall
Tom Kellahin
P. O. Box 2265
117 North Guadalupe
Santa Fe, New Mexico 87504-2265
Fax 505-982-2047





T. Kent Woolley, CPL
Landman Advisor

OXY USA INC.
Box 50250, Midland, TX 79710

Phone (915) 685-5906
Fax (915) 685-3742

October 12, 1999

Louis Dreyfus Natural Gas Company
14000 Quail Springs Parkway, Suite 600
Oklahoma City, OK 73134-2600
Attn: Joe Hammond

RE: Loco Hills "4" Fed Com #1
N2 Section 4, T18S-R29E
Eddy County, New Mexico

Dear Joe:

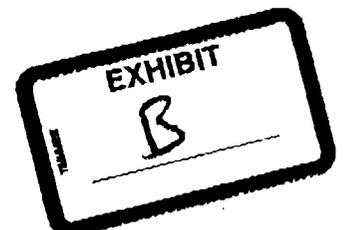
Pursuant to the provisions of the Operating Agreement dated April 1, 1968 and as noted in my letter of September 14, 1999, OXY hereby elects to participate in the captioned well for its 25% working interest.

The 25% working interest should be broken down as follows:

OXY USA Inc.	10.0000%
Scott E. Wilson	2.5000%
Richard K. Barr	2.5000%
McCombs Energy, LLC	8.7500%
Andrews and Corkran, LLC	1.2500%

In addition the 6.6667% contractual interest in the W2 NW4 of Section 4 should be spread in the same ratio.

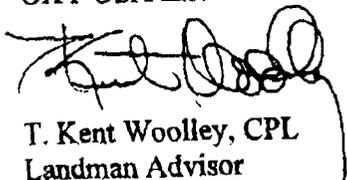
Please note that one-half of Scott E. Wilson's and Richard K. Barr's working interests are subject to a "free look." At casing point, if Wilson and/or Barr elect not to participate with their "free look" working interests, such interest should be borne by OXY USA Inc. (50%), McCombs Energy, LLC (43.75%) and Andrews and Corkran, LLC (6.25%)



Louis Dreyfus Natural Gas Company
Loco Hills "4" Fed Com #1
October 12, 1999
Page 2

I am reviewing the ratification to the Operating Agreement as provided for in your letter of October 1, 1999 and will get back with you as soon as possible.

Yours truly,
OXY USA Inc.



T. Kent Woolley, CPL
Landman Advisor

TKW/nce



T. Kent Woolley, CPL
Landman Advisor

OXY USA INC.
Box 50250, Midland, TX 79710

Phone (915) 685-6906
Fax (915) 685-5742

October 12, 1999

Louis Dreyfus Natural Gas Company
14000 Quail Springs Parkway, Suite 600
Oklahoma City, OK 73134-2600
Attn: Joe Hammond

RE: Ratification and adoption of Operating Agreement
Loco Hills "4" Fed Com #1
N2 Section 4, T18S-R29E
Eddy County, New Mexico

Gentlemen:

Subject to the conditions set out below, OXY USA Inc. agrees to the attached Ratification and Adoption of Operating Agreement:

1. The effective date of ratification is October 1, 1999.
2. Article 8 of the Ratification and Adoption of Operating Agreement is hereby deleted in its entirety.

Please indicate your acceptance by signing below and returning an executed copy to the undersigned.

Yours truly,
OXY USA Inc.

T. Kent Woolley, CPL
Landman Advisor

TKW/nce

Agreed to and accepted this _____ day of _____ 1999.

Louis Dreyfus Natural Gas Company

By: _____

Title: _____

Date: _____



LOUIS DREYF'S NATURAL GAS COPP

ESTIMATED WELL COST (100%)

LEASE: LOCO HILLS 4 FED COM

WELL NO 1

AFE NO:

LOCATION: SECTION 4-18S-29E (1670' FNL & 1650' FEL)

PROP. NO:

SEP 13 1999
2750.

TST LAND

FIELD:

COUNTY: EDDY

STATE: NMEX.

DISTRICT: CARLSBAD

PURPOSE: To drill and equip a 11300' Morrow test.

BATTERY:

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
181-102	Location & Roads, Including Damages	\$25,000	\$3,000	\$28,000
181-110	Moving Rig	\$18,000	\$0	\$18,000
181-111	Drilling: R. @	\$0	\$0	\$0
181-112	Day Work: 23 days @ \$5,000.00	\$165,000	\$5,000	\$170,000
181-113	Conductor, Rat & Mouse Holes	\$1,700	\$0	\$1,700
181-114	Drilling Bits	\$40,000	\$0	\$40,000
181-115	Drilling Water & Fuel, Including Lines	\$10,000	\$3,000	\$13,000
181-116	Drilling Mud, Additives, Mud Oil, Etc.	\$28,000	\$0	\$28,000
181-132	Drilling and Completion Insurance	\$5,000	\$0	\$5,000
181-133	Environmental Protection	\$1,000	\$1,000	\$2,000
181-180	Safety	\$1,000	\$1,000	\$2,000
181-128	Open Hole Logging	\$18,000	\$0	\$18,000
181-152	Mud Logging	\$12,000	\$0	\$12,000
181-153	Open Hole Testing/Coring	\$10,000	\$0	\$10,000
181-121	Hauling and Trucking	\$2,000	\$2,000	\$4,000
181-122	Welding	\$2,000	\$2,000	\$4,000
181-123	Rental Equipment & Fishing Tools	\$20,000	\$5,000	\$25,000
181-124	Special Services & Misc. Items	\$2,000	\$3,000	\$5,000
181-180	Comp. Rig: 10 Days @ \$1,800	\$0	\$18,000	\$18,000
181-104	Cased Hole Logging, Perforating, & Wireline	\$0	\$14,000	\$14,000
181-165	Acidizing, Fracturing, Chemicals	\$0	\$18,000	\$18,000
181-166	CO2/Nitrogen	\$0	\$5,000 N2	\$5,000
181-168	Non-Retrivable Equipment	\$0	\$0	\$0
181-125	Roundabout Labor & Services	\$0	\$8,000	\$8,000
181-127	Casing Crews & Service	\$0	\$5,000	\$5,000
181-161	Frac PK, Liner, Water, & Disposal	\$0	\$2,000	\$2,000
181-128	Surface Casing Cementing	\$5,000	\$0	\$5,000
181-129	Intermediate Casing Cementing	\$12,000	\$0	\$12,000
181-130	Production Casing Cementing	\$0	\$11,000	\$11,000
181-131	Liner Cementing	\$0	\$0	\$0
181-172	Cementing Hardware	\$3,490	\$5,000	\$8,490
181-173	Other Cementing Related Services	\$0	\$0	\$0
181-160	Administrative Overhead	\$4,000	\$2,000	\$6,000
181-161	Supervision, Including Consulting	\$21,000	\$5,000	\$26,000
181-103	Legal & Land Services	\$2,100	\$2,800	\$4,900
TOTAL INTANGIBLE WELL COST		\$408,390	\$118,500	\$526,890
TANGIBLE WELL COST				
182-234	Conductor casing 40 R. 20"	\$1,800		
182-235	Surface Water String R. 20"	\$0		
182-236	Surface 400 R. 13-3/8" \$18.00	\$8,000	\$0	\$8,000
182-236	Intermediate 3,100 R. 8-5/8" \$9.00	\$27,900	\$0	\$27,900
182-237	Production 11,900 R. 4 1/2" \$4.20	\$0	\$47,400	\$47,400
182-240	Tubing 11,100 R. 2 3/8" \$2.45	\$0	\$27,195	\$27,195
182-230	Wellhead Equipment	\$4,010	\$18,000	\$22,010
182-230	Retrievable Equipment	\$0	\$7,585	\$7,585
182-211	Flowlines & Connections	\$0	\$10,000	\$10,000
182-218	Storage Tanks & Separation Equipment	\$0	\$25,000	\$25,000
182-220	Pumping Unit	\$0	\$0	\$0
182-225	Pump Engine	\$0	\$0	\$0
182-245	Sucker Rods, Bottom Hole Pump, & Other	\$0	\$0	\$0
TOTAL TANGIBLE WELL COSTS		\$38,810	\$134,780	\$173,590
TOTAL WELL COST		\$447,200	\$253,280	\$700,480

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Alan McNelly
Chris Lisle

Date: 07/15/99

OPNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By: Mike Slater, Vice President
OPERATIONS

Approved By: *[Signature]*

Title: *Key in fact*

Date:

Date: 9/14/99

Non-Operator Election: I/We do do not elect to participate in the Operator's Extra Expense Insurance.



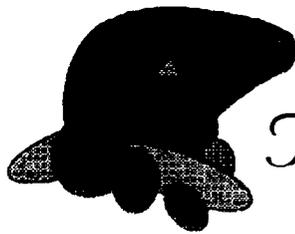
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Date: 11/2/99
Time: 10:31:14
Pages: 2

To: Ed Martin
Company: NM Energy, Minerals, and Natural Resour
Fax #: 1-505-827-8177

From: Sarah Quesnell
Company: New Horizons Computer Learning Center
Address: 4665 Indian School Rd. NE Suite 101
Albuquerque , NM 87110
USA

Fax #: 262-0222
Voice #: 262-2222 ext 107



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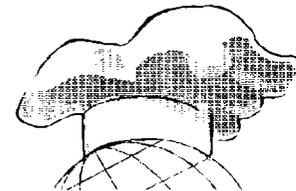
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Training must be purchased and paid for by 11/15/99.

However, training can be taken at any time.