



ORYX

24 Smith Road
PO Box 1861
Midland TX 79702-1861
915 688 0300

May 25, 1990

**Southwestern
Production Region**

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, TX 79701

Attn: D. Paul Haden

RE: Application for Unorthodox
Drilling Permit
Red Lake Atoka Morrow
Federal "S" #1 Well
NE/4 NE/4 of Section 21, T18S-R27E,
Eddy County, New Mexico

Dear Mr. Haden:

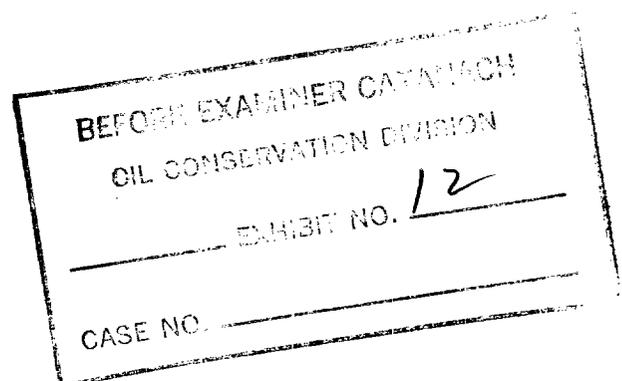
Attached is a letter agreement which represents in written format what you and I discussed and tentatively agreed to in our discussions over the last several days. Please review and execute this letter agreement if it meets with your approval and fax to me this afternoon if possible.

Thank you for your prompt attention.

Yours truly,


Patrick Galvin

PG/ba
Attachment



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LETTER AGREEMENT BETWEEN MEWBOURNE OIL COMPANY
AND ORYX ENERGY COMPANY

RE: Case Number 9926, Compulsory Pooling and Unorthodox Gas Well
Location

Mewbourne Oil Company proposes to drill the Federal "S" #1 well at a location in the NE/4 NE/4 of Section 21, T18S, R27E, Eddy County, New Mexico. The proposed well will test the Morrow formation. Oryx Energy Company is a leaseholder of record in Sections 15, 16, and 22, T18S, R27E, Eddy County, New Mexico, and each of Oryx's leases immediately offsets Mewbourne's proposed location for the Federal "S" #1 well.

Since 320 acre spacing rules are mandated by NMOCD Rule 104 for gas wells which are projected to test the Wolfcamp or older formations, and require such wells to be located no closer than 660 feet to the nearest side boundary, nor closer than 1980 feet to the nearest end boundary, Mewbourne's proposed well would require an exception from the NMOCD for an unorthodox location.

Oryx Energy Company hereby enters into an agreement with Mewbourne Oil Company that Oryx will not protest the proposed unorthodox location of the subject well if Mewbourne agrees to the following:

- I. Voluntarily apply a 35% (thirty-five percent) gas penalty against the Federal "S" #1's gas allowable as determined annually by the deliverability test report (NMOCD Form C-122-C) with a 1,000 MCF per day minimum for any completion requiring 320 acre spacing units. This agreement would include completions within the undesignated Red Lake Pennsylvanian Gas Pool, Red Lake Atoka-Morrow Gas Pool, and Scoggin Draw-Morrow Gas Pool. This penalty would not apply to any completion for this well requiring less than 320 acre proration units.
- II. This agreement shall be honored by both Mewbourne & Oryx whether or not the penalty and minimum production rate is made a part of the NMOCD order.
- III. Mewbourne Oil Company, as a condition to this agreement, will voluntarily furnish Oryx Energy Company all data from their Federal "S" No. 1 well including, but not limited to, openhole log data, mud log, bottomhole pressure test data, production data, DST data and reports, well history information, etc. Oryx Energy Company agrees to furnish Mewbourne with similar data from the Scoggin Draw State Com "C" #1 well.

Executed and agreed to this 25th day of May, 1990

Mewbourne Oil Company
Signed *Paul Landman*
Title LANDMAN

Oryx Energy Company
Signed *Patrick Saloni*
Title Geologist

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