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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 14, 1998

VIA FACSIMILE  
(972) 715-4754Oryx Energy Company  
13155 Noel Road  
Dallas, Texas 75240-5067

Attn: Mr. Fred B. Winter

Re: Lowe State Well No. 1  
W/2 Section 36, T21S, R23E  
Eddy County, New Mexico

Dear Fred:

In response to your letter dated December 9, 1998, please be advised that;

(1) In accordance with Ordering Paragraph (6) of Order R-9922-D, the unorthodox well location for the Lowe State Well No. 1 has been approved without a penalty. All you need to do now is to file a corrected C-102 showing the W/2 dedication within 60-days of the date of the order. The unorthodox location is not subject to a penalty because nobody objected at the July 9, 1998 hearing of this case which included your unorthodox gas well location.

(2) The Lowe State Well No. 1 is in a gas proration and spacing unit ("GPU") which is allowed to produce only 50% of the standard allowable. You will need to limit all wells in this GPU to that limit.

(3) If Oryx adds another well in this GPU, then it will (a) have to limit the production of all wells in this GPU to the 50% allowable and (b) have to file an application with the OCD for approval of a unorthodox gas well location.

Please call me if you have any questions.

Regards,

W. Thomas Kellahin