

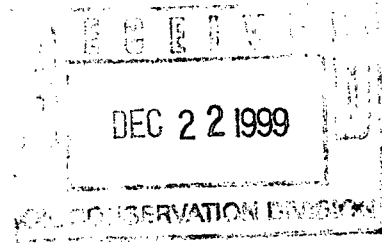
JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



December 22, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Enclosed is a copy of the notice letter sent to Yates Petroleum Corporation today regarding the Kerr-McGee Oil & Gas Onshore LLC unorthodox location application in §2-22S-23E.

Very truly yours,

James Bruce

Attorney for Kerr-McGee
Oil & Gas Onshore LLC

JAMES BRUCE

ATTORNEY AT LAW

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December 22, 1999

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

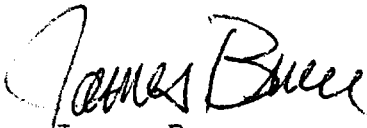
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Gentlemen:

Enclosed is a copy of an administrative application for an unorthodox gas well location, filed with the New Mexico Oil Conservation Division by Kerr-McGee Oil & Gas Onshore LLC, regarding a well in Section 2, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

Yates Petroleum Corporation has previously waived objection to the proposed location. See Exhibit C to the application. However, if you object to the location you must notify the Division in writing no later than Tuesday, January 11, 2000 (2040 South Pacheco Street, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting the location at a later date.

Very truly yours,


James Bruce
Attorney for Kerr-McGee
Oil & Gas Onshore LLC

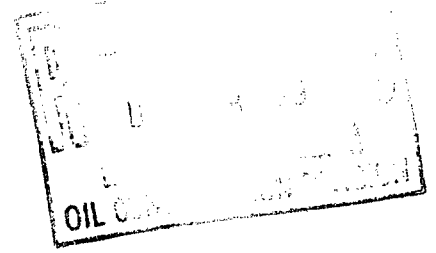
JAMES BRUCE

ATTORNEY AT LAW

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December 28, 1999

Hand Delivered

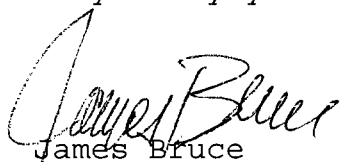
Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Kerr-McGee Oil & Gas Onshore LLC ("Kerr-McGee")
unorthodox location application in S2-22S-23E

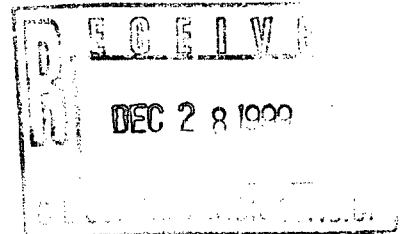
Dear Mr. Stogner:

I have reviewed Division Order No. R-10359 regarding its effect upon the above application. Due to the provisions of Order No. R-10359, Kerr-McGee proposes that the allowable limitation set forth in the order remain in effect so long as the Conoco State Well No. 2 (located in Unit M of Section 2) produces from the Indian Basin-Upper Pennsylvanian Gas Pool.

Very truly yours,

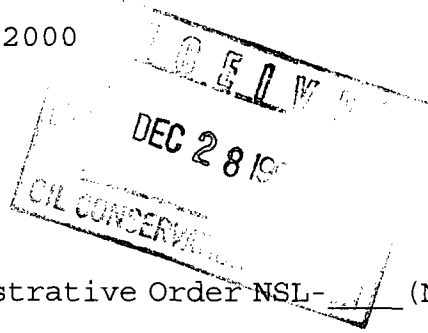

James Bruce

Attorney for Kerr-McGee
Oil & Gas Onshore LLC



January __, 2000

Kerr-McGee Oil & Gas Onshore LLC
c/o James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504



Administrative Order NSL- (NSP/SD)

Dear Mr. Bruce:

Reference is made to the following:

(a) your application dated December 21, 1999, on behalf of the operator, Kerr-McGee Onshore Oil & Gas LLC ("Kerr-McGee"), for an unorthodox Cisco/Canyon gas well location for its proposed Conoco State Well No. 6 to be drilled 2250 feet from the north line and 1500 feet from the east line (Unit G) of irregular Section 2, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool. All of Section 2, comprising 654.28 acres, is to be dedicated to said well, forming a non-standard gas spacing and proration unit;

(b) New Mexico Oil Conservation Division ("Division") Order No. R-10359, dated May 2, 1995, which (i) granted Oryx Energy Company (now Kerr-McGee) an unorthodox location in the Indian Basin-Upper Pennsylvanian Gas Pool for the Conoco State Well No. 2, located 800 feet from the south and west lines (Unit M) of Section 2, (ii) simultaneously dedicated irregular Section 2 to both the Conoco State Well No. 2 and the Conoco State Well No. 1, located at an orthodox location 1775 feet from the north line and 1980 feet from the west line (Unit F) of Section 2, and (iii) assigned an acreage factor of 0.62 to the spacing and proration unit for gas allowable purposes in the Indian Basin-Upper Pennsylvanian Gas Pool; and

(c) your supplemental letter of December 28, 1999.

The geologic interpretation submitted with the application indicates that a well drilled at the proposed location will be structurally higher than at an orthodox location, and thus will be at a more favorable geologic location than a well drilled at an orthodox location.

The application has been duly filed under Rule 104.F of the General Rules and Regulations of the Division.

By the authority granted me under the provisions of (i) Rule 5 of the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool, and (ii) Division Rule 104.F.(2), the above-described unorthodox gas well location for the Conoco State Well No. 6 is hereby approved. Irregular Section 2 shall be simultaneously dedicated to the Conoco State Well No. 2 and the

Conoco State Well No. 6. **However**, the allowable limitation on production from irregular Section 2, set forth in Order No. R-10359, shall remain in effect for so long as the Conoco State Well No. 2 produces from the Indian Basin-Upper Pennsylvanian Gas Pool.

Sincerely,

Lori Wrotenbery
Director