

**MW PETROLEUM CORPORATION**

January 18, 1995

Mr. Michael E. Stogner  
Oil Conservation Division  
State Land Office Building  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87505

RE: Oryx Energy Company Application  
Conoco State Well #2  
Section 2, T-22-S, R-23-E  
Indian Basin (Upper Penn) Gas Pool  
Eddy County, New Mexico

Dear Mr. Stogner:

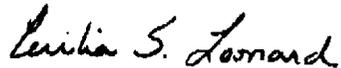
MW Petroleum operates 2 producing gas wells directly offsetting Section 2, T-22-S, R-23-E to the north and to the south. In addition, MW has a working interest in the Chevron operated well in Section 3, T-22-S, R-23-E. Although MW is directly impacted by the subject application, we are unable to attend the January 19, 1995, OCD hearing due to an unfortunate scheduling conflict. However, we would like to express our opposition to the subject application with this letter.

MW has drilled three unorthodox locations in the Indian Basin (Upper Penn) Gas Pool. In all cases, MW exhausted all mechanical means of establishing commercial production in the original "legal" well before drilling the unorthodox locations. The "replacement" wells that were drilled at the unorthodox locations were all drilled to replace the legal well. The replacement/unorthodox wells were all subject to production penalties via an "acreage factor" to protect the correlative rights of the affected offset owners.

Oryx seeks approval to drill the Conoco State #2 at an unorthodox location 800' from MW's Section 11 boundary and 800' from MW's Section 3 boundary. Oryx is requesting that they be allowed to drill this "replacement" well before attempting any repair or plug back of their existing Conoco State #1. In addition they are requesting that the OCD allow them to produce without an acreage factor penalty.

MW's wells in both Section 3 and Section 11 are located at legal locations. MW believes that approval of Oryx's application will violate our correlative rights due to the inequitable drainage of both gas and reservoir energy. MW believes that it is possible that the legal location is capable of producing at significantly higher rates. It is our opinion that unorthodox locations required to escape water encroachment, should be drilled as replacement wells. The well being replaced should not be allowed to produce after it has been replaced. We also believe that a production penalty for the Conoco State #2 would be necessary. MW's well in Section 35 T-21-S, R-23-E, began producing water in December 1994. Therefore the amount of productive acreage in Section 2 is highly interpretive. We would recommend an acreage factor of 0.5 based largely upon the ratio of the proposed setback to the legal setback.

Sincerely yours,



Cecilia S. Leonard  
Senior Staff Reservoir Engineer

cc: Scott Spence