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12-22-98

MATADOR PETROLEUM CORPORATION

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TX 75231-3751
Fax (214) 691-1415

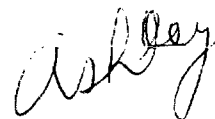
Mona D. Ables
District Landman

Writer's Direct Line
(214) 987-7129

December 18, 1998

Penwell Energy, Inc.
Attn: Mr. Mark Wheeler
600 N. Marienfeld
Suite 1100
Midland, TX 79701

CERTIFIED MAIL
P 241 996 483



Re: NOTIFICATION OF ELECTION
Compulsory Pooling
Topacio Fed Com #1
E/2 Section 28, T-19-S, R-33-E, NMPM
Lea County, New Mexico
NMOCD Case 12063, Order R-11111

Dear Mr. Wheeler:

On behalf of Matador Petroleum Corporation and in accordance with the terms of the New Mexico Oil Conservation Division Order R-11111, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

Our records indicate that you have a working interest ownership in the spacing unit for all formations from the top of the Wolfcamp to the base of the Morrow formation in the spacing unit proposed for this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Matador Petroleum Corporation must receive a cashier's check for your percentage of the completed well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well.

If you decide not to participate then you need do nothing further. In that event, Matador Petroleum Corporation will pay your share of the costs of the well and will recover your share out of production plus an additional 200 percent.

Sincerely,



Mona D. Ables

MDA/dm

Enc.

Penwell Energy, Inc.
December 18, 1998
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cc: Lori Wrotenberg, Director
New Mexico Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505