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AUC

July 26, 2000

Lori Wrotenbery
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Well Unit: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (all) of Section 2,
Township 22 South, Range 23 East, N.M.P.M., Eddy County,
New Mexico, containing 674.28 acres

Wells: Conoco State Well Nos. 2 and 6 (simultaneous
dedication)

Pool: Indian Basin-Upper Pennsylvanian Gas Pool
(prorated)

Operator: Kerr-McGee Oil & Gas Onshore LLC ("Kerr-
McGee")

Dear Ms. Wrotenbery:

This letter requests an extension of time during which to make up underproduction from the above proration unit. The proration unit is non-marginal, capable of producing in excess of its allowable.

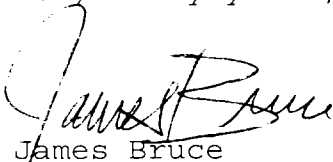
For your information, Administrative Order NSL-4386(SD) granted Kerr-McGee approval to drill its Conoco State Well No. 6 at an unorthodox infill gas well location 2250 feet from the north line and 1500 feet from the east line of Section 2. The unit was simultaneously dedicated to the Conoco State Well Nos. 1, 2, and 6. The No. 1 well has now been plugged and abandoned. NSL-4386(SD) retained a production penalty of 38% on the well unit, imposed by Division Order No. R-10359.

As of March 31, 2000, the well unit was underproduced by 523,814 MCF. See Exhibit A attached hereto. Since then, the well unit has continued to underproduce. See Exhibit B. Subsequent underproduction, and the inability to make up the underage, is due primarily to curtailment of production caused by under-capacity in Marathon Oil Company's Indian Basin Gas Plant.

Under Rule 10(a) of Order No. R-8170, as amended, Kerr-McGee has to make up the underproduction during the April 1, 2000-March 31, 2001 period, or it will be canceled. If the Indian Basin Gas Plant had sufficient capacity, Kerr-McGee would be able to produce its proration unit in excess of its allowable and make up the underproduction. However, due to the curtailment (which is not expected to end until late in the year 2000), it will be impossible for Kerr-McGee to make up the underproduction during the April 1, 2000-March 31, 2001 period. Therefore, Kerr-McGee requests an additional twelve months to make up underproduction from the well unit.

Thank you for your consideration of this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over the typed name.

James Bruce

Attorney for Kerr-McGee
Oil & Gas Onshore LLC

CONOCO STATE GPU

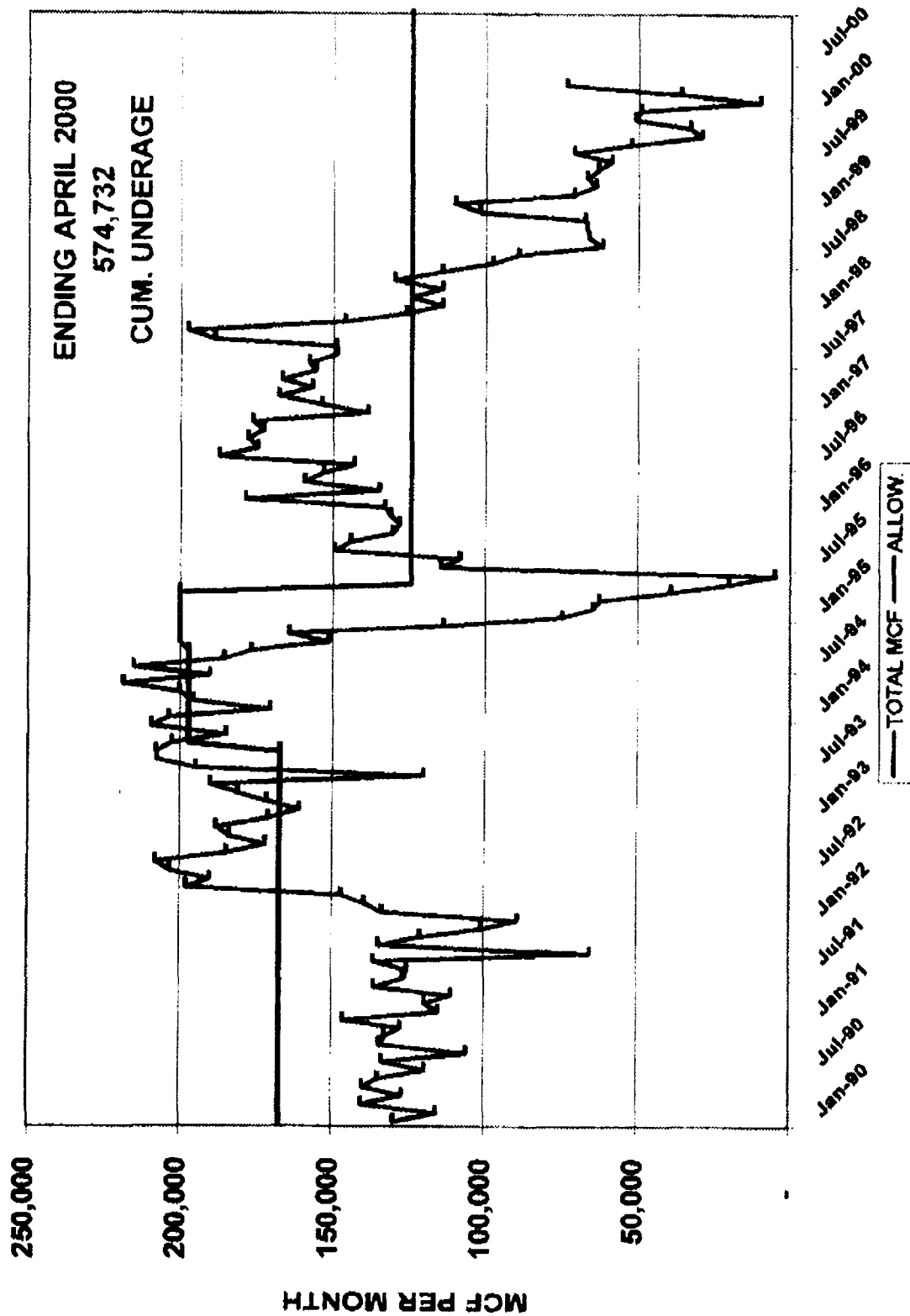
NON-MARGINAL LEASE STATUS

acresage 674
acresage factor 0.62
WELL # 22991

DATE	#1 MCFPM	#2 MCFPM	#3 MCFPM	TOTAL MCF	MONTHLY ALLOW.	MONTHLY OVER/ UNDER	PERIOD MCF	PERIOD ALLOW.	PERIOD OVER/ UNDER	CUM. OVERAGE
Apr-96	-	134438		134,438	124,000	10,438				10,438
May-96	280	158777		159,037	124,000	35,037				45,475
Jun-96	252	152619		152,871	124,000	28,871				74,346
Jul-96	280	142450		142,710	124,000	18,710				93,056
Aug-96	280	188743		187,003	124,000	63,003				156,059
Sep-96	252	173972		174,224	124,000	50,224	950,283	744,000	206,283	206,283
Oct-96	280	177151		177,411	124,000	53,411				259,694
Nov-96	244	172042		172,286	124,000	48,286				307,980
Dec-96	280	175720		175,980	124,000	51,980				359,960
Jan-97	280	138056		138,316	124,000	14,316				374,276
Feb-97	235	152859		153,094	124,000	29,094				403,370
Mar-97	280	167174		167,434	124,000	43,434	984,521	744,000	240,521	446,804
Apr-97	252	158151		156,403	124,000	32,403				479,207
May-97	280	188101		188,381	124,000	42,381				521,588
Jun-97	252	155043		155,295	124,000	31,295				552,883
Jul-97	280	157313		157,573	124,000	33,573				586,436
Aug-97	280	148006		148,286	124,000	24,286				610,702
Sep-97	235	148370		148,605	124,000	24,605	932,503	744,000	188,503	635,307
Oct-97	280	188308		188,568	124,000	64,568				699,875
Nov-97	252	197133		197,385	124,000	73,385				773,260
Dec-97		145869		145,869	124,000	21,869				795,129
Jan-98		125791		125,791	124,000	1,791				796,920
Feb-98		113756		113,756	124,000	(10,244)				786,676
Mar-98		124117		124,117	124,000	117	895,486	744,000	151,486	786,793
Apr-98		113781		113,781	124,000	(10,219)				776,574
May-98		129368		129,368	124,000	5,368				781,942
Jun-98		113796		113,796	124,000	(10,204)				771,736
Jul-98		97406		97,406	124,000	(26,594)				745,144
Aug-98		88731		88,731	124,000	(35,269)				709,875
Sep-98		61289		61,289	124,000	(62,711)	604,371	744,000	(139,629)	647,164
Oct-98		65923		65,923	124,000	(58,077)				589,087
Nov-98		66537		66,537	124,000	(57,463)				531,624
Dec-98		67149		67,149	124,000	(56,851)				474,773
Jan-99		101705		101,705	124,000	(22,295)				452,478
Feb-99		109775		109,775	124,000	(14,225)				438,253
Mar-99		70687		70,687	124,000	(53,313)	481,776	744,000	(262,224)	384,940
Apr-99		63468		63,468	124,000	(60,532)				324,408
May-99		66460		66,460	124,000	(57,540)				266,868
Jun-99		62724		62,724	124,000	(61,276)				205,592
Jul-99		58160		58,160	124,000	(65,840)				139,752
Aug-99		70560		70,560	124,000	(53,440)				86,312
Sep-99		51852		51,852	124,000	(72,148)	373,224	744,000	(370,776)	14,164
Oct-99		28794		28,794	124,000	(95,206)				(81,042)
Nov-99		32580		32,580	124,000	(91,420)				(172,462)
Dec-99		50624		50,624	124,000	(73,376)				(245,838)
Jan-00		48839		48,839	124,000	(75,161)				(320,999)
Feb-00		9647		9,647	124,000	(114,353)				(435,352)
Mar-00		35538		35,538	124,000	(88,462)	206,022	744,000	(537,978)	(523,814)
Apr-00		33503	39579	73,082	124,000	(50,918)				(574,732)

"A"

CONOCO STATE GPU



"B"