

AMERADA HESS CORPORATION

P.O. Box D
Monument, NM 88265

New Mexico Oil Conservation Division
1000 W. Broadway
Hobbs, New Mexico 88240

Attn: Jerry Sexton

Re: J.L.Barr #3 Drilling Permit Appl./Unit M, Sec24 T19S R36E

Dear Sir:

Amerada Hess Corporation, as operator of the North Monument Grayburg/ San Andres Unit, has been asked to respond to a location permit for a well 98.3 ft. north of NMGSAU 413 (originally J.L.Barr #1) located Unit M, Sec24 T19S R36E (C-104 attached) as a proximity concern.

Oryx Energy, as original operator, currently holds the liability for supplying a "useable wellbore" on the 40 acre proration unit held by the J.L.Barr #1. Upon first entry by the unit operator and within two years of the unit effective date, the wellbore must pass a casing integrity test of 500 psi for 30 min. and exhibit no sustained bradenhead pressure or flow. Once the well has qualified the wellbore liability shifts to the unit and its' partners. As of this date the well has not been tested. Should drilling or completion operations on the proposed J.L.Barr #3 render the J.L.Barr #1 wellbore unusable, Oryx would be liable for a substitute wellbore on the same 40 acres or submission of the \$80000 penalty for non-submission.

Amerada Hess Corporation, as current operator of the North Monument Grayburg San Andres Unit, and Oryx Energy as original operator of the J.L.Barr lease, will not give blanket authority for a close proximity location if that authority clears Me-Tex of responsibility for damage to the J.L.Barr #1 wellbore. Amerada Hess would be willing to pull the production equipment, position a retrievable bridge plug above the Grayburg, and apply normal casing test pressure in an attempt to minimize the risk of communication during completion practices.