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October 13, 1964

Mr. Harvey E. Yates Drilling and Production Carper Building Artesia, New Mexico

Dear Mr. Yates:

We have discussed recently a possible triple completion of your Cedar Hills Unit in the Morrow, Strawn, and Wolfcamp. Specifically our discussion was toward establishing a higher guaranteed rate of take if you complete the well successfully in all three formations.

We have reviewed in detail our present supply and market program; at the present time, we cannot see our way clear to guarantee any additional take from the Cedar Hills well. If we obligate ourselves to any additional take, we feel that we would merely be guaranteeing to pay for gas which we could not take either from your well or some other source of supply. We are continually seeking new markets, and at the moment are actively negotiating for some very substantial additional sales. We consider it entirely possible that we would take more from your well than we have guaranteed in the contract. We are reluctant, however, to guarantee anything in the way of performance which we would be unable to fulfill.

We appreciate your calling in this information; and if there is anything further which we can offer at this time, please let us know.

Yours truly,

SOUTHERN UNION GAS COMPANY

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Oran L. Haseltine Manager of Gas Supply

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