

MARTIN YATES, III  
1912 - 1985  
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1936 - 1986



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C-129  
Rule 306

September 28, 2004

Mr. Roy Johnson  
Supervisor District IV  
State of New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

RECEIVED

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Oil Conservation Division  
1220 S. Saint Francis Drive  
Santa Fe, NM 87505

Re: Laverne BDV No. 1 Well Testing

Dear Sir:

As you know, Yates Petroleum Corporation has drilled the Laverne BVD No. 1 in Sec. 24-10N-26E in Guadalupe County, New Mexico. We are currently testing intervals in the Canyon group. After testing individual sands, we may test all perforations in the well with a submersible pump. If this is done, it is likely that a substantial flare will be visible during the test.

Our reasons for testing are:

1. Determine the quantity of gas that might be available for sale when a sales line is installed.
2. Determine the quantity of producible reserves in order to establish the economic viability of wells in this area.
3. Determine if water volumes associated with the gas production will remain stable, increase or decrease with extended producing time. As you know, some producing intervals produce less water with time, while others have water production that remains constant with the volume of gas, or increases with gas production. We have no data on long term testing of wells in this area.

We expect the duration of the test to be from two to six weeks, depending on the day-to-day results.

Yates Petroleum Corporation has a strong leasehold position in Guadalupe and Quay counties. A test of this type is critical to our evaluation of the leased acreage and continued activity in this area.

If you have questions or concerns about any of the above, please call or e-mail me.

Sincerely,

A handwritten signature in black ink that reads "Sam Brandon". The signature is fluid and cursive, with the first name "Sam" and last name "Brandon" clearly distinguishable.

Sam Brandon  
Operations Engineer

(505) 748-4281  
sbrandon@ypcnm.com