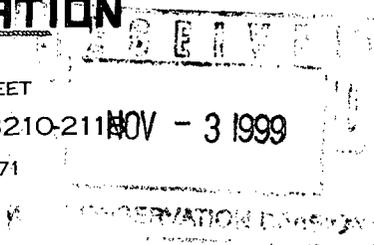


MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2111
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER



November 1, 1999

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87508

CERTIFIED MAIL
Return Receipt Requested

RE: Application for Unorthodox Location
Southern Union "ATO" State #1
Wildcat Mississippian Pool
Township 11 South, Range 34 East
Section 1: 2310' FSL & 330' FEL
Lea County, New Mexico

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for an unorthodox Mississippian gas well, the Southern Union ATO State #1.

Please find enclosed a waiver signed by Manzano Oil Corporation. They operate the offset leasehold to the east in section 6, T11S-R35E and also the Featherstone leasehold to the north in sections 34 and 35, T10S-R34E.

Yates is ready to commence operations on this re-entry as soon as you can grant this approval.

Please call me at (505) 748-4351 if you need additional information.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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SECRETARY
DENNIS G. KINSEY
TREASURER

October 15, 1999

Attn: Mr. Ken Barbe
Manzano Oil Corporation
PO Box 2107
Roswell, New Mexico 88202-2107

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Southern Union ATO State #1
Township 11 South, Range 34 East
Section 1: 2310' FSL & 330' FEL
Lea County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to re-enter the existing wellbore at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in NMOCD Rule 104.C(2)(b) (Revised 8/12/99).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned. Any objection must be filed in writing with the NMOCD within twenty (20) days from the date of this notice.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation

MANZANO OIL CORPORATION

By: [Signature]

Title: VICE PRESIDENT

Date: 10/29/99

Subject to Letter Agreement dated October 26, 1999 between Manzano Oil Corporation and Yates Petroleum Corporation.



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

October 26, 1999

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Robert Bullock

Re: Yates Application for Unorthodox Well Location
Southern Union ATO State #1
Wildcat Mississippian Pool
2310' FSL & 330' FEL
Section 1, T11S, R34E
Lea County, New Mexico

Dear Rob:

We are in receipt of your request for a waiver to the proposed unorthodox well location referenced above. As you are aware, Manzano owns the leasehold in the E/2 of Section 6, T11S, R35E. We have also acquired the operating rights in the S/2 of Section 34 and the SW/4 of Section 35, T10S, R34E from Featherstone Development Corporation and Olen F. Featherstone II.

Manzano is willing to waive its objection to the proposed unorthodox location subject to the following terms and conditions:

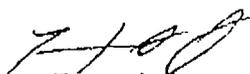
- 1) Yates to provide Manzano with all well information, including all drilling reports, OCD filings, logs, DST's, etc. from its Southern Union ATO State #1.
- * 2) Yates will allow, without protest, Manzano to propose a well ^{and one (1) well, only} no closer than 330 feet off of any section line bordering Section 6, T11S, R35E or Sections 34 & 35, T10S, R34E. Manzano also agrees to provide Yates all well information on ^{one} ~~any~~ approved unorthodox location~~s~~ not protested.

If this is agreeable, please execute below and return one (1) copy to my attention and I will in turn return your requested waivers.

Yates Petroleum Corporation
Southern Union ATO State #1 Well
October 26, 1999
Page Two

We look forward to working with you in this area.

Sincerely,


Kenneth Barbe, Jr.

★ AGREED TO AND ACCEPTED this 27 day of October, 1999.
★ Accepted with amendments noted in paragraph 2 above.

YATES PETROLEUM CORPORATION

By: 

Title: Atty-in-Fact

Date: 10-27-99

RB