

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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

February 23, 2004

Working Interest Owners
(See Attached List)

***Certified Mail/
Return Receipt Requested***

Re: Value BCV State Com #1
Township 8 South, Range 26 East, NMPM
Section 2: Lots 1,2 (N/2NE/4), SE/4NE/4, SE/4, SW/4NE/4 (E/2)
Chaves County, New Mexico


Dear Working Interest Owners:

Yates Petroleum Corporation proposes to drill the captioned well. I enclose two (2) copies of an Authority for Expenditure for drilling of the above captioned well and one (1) copy and one additional signature page, of the Value BCV State Com #1 Operating Agreement, which covers Lots 1,2 (N/2NE/4), SE/4NE/4, SE/4, SW/4NE/4 (E/2) of Section 2, Township 8 South, Range 26 East. Also included is a copy of the Title Opinion for lease number V-5534 and LG-1459, which cover the above captioned lands. If the AFE and Operating Agreement are satisfactory, please sign and return one (1) executed copy of each to our office within the (30) day time period. Additionally, by accepting and signing the AFE and Operating Agreement you are approving the title for the drilling of the well.

If you have any questions, please give me a call at (505) 748-4349.

Very truly yours,

YATES PETROLEUM CORPORATION


Chuck Moran
Landman

CEM:tv
Enclosures

I/We hereby approves title for the drilling of the captioned well.

Company/Name: _____
By: _____
Title: _____
Date: _____

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13254 Exhibit No. 2
Submitted by:
YATES PETROLEUM CORPORATION
Hearing Date: May 13, 2004

Value BCV State Com #1
Township 8 South, Range 26 East, N.M.P.M.
Section 2: Lots 1,2 (N/2NE/4), SE/4NE/4, SE/4, SW/4NE/4 (E/2)
Chaves County, New Mexico
Ownership Address List

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South Fourth St.
Artesia, NM 88210

Campbell Investment Company
C/o Pat Greenwade
P. O. Box 3854
Roswell, NM 88202-3854

Pecos Production Company
400 W. Illinois, Suite 1070
Midland, TX 79701-1000

Trinity Limited Partnership
P. O. Box 564
Roswell, NM 88202-0564

Calto Oil Company
P. O. Box 12266
Dallas, TX 75225-0266

Gruy, LLC
8222 Douglas Ave, Suite 250
Dallas, TX 75225

Thornton Operating Corporation
P. O. Box 833
Midland, TX 79702

John D. Cadigan
Drawer F
Cashmere, WA 98815

Greg Vujcich
100 Mount Hwy 287 N
Ennis, MT 59729-9122

Marley Livestock, Inc.
Rt. 2, 45 Crossroads
Roswell, NM 88203

The Heirs and Devisees of Robert Marley, deceased
And Lauralea Marley, a widow
Rt. 2, 45 Crossroads
Roswell, NM 88203

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

The Heirs and Devisees of
Robert Marley, deceased and
Lauralea Marley, widow
Rt. 2, 45 Crossroads
Roswell, NM 88203

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *S. Ford*☐ Agent☐ Addressee

B. Received by (Printed Name)

S. FORD

C. Date of Delivery

2-24-04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No*HAZARD*

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3655

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Calto Oil Company
P. O. Box 12266
Dallas, TX 75225-0266

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *John Hutchins*☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

2-27-04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3587

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Gruy, LLC
8222 Douglas Ave, Suite 250
Dallas, TX 75225

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Jeanne Hayden*☐ Agent☐ Addressee

B. Received by (Printed Name)

JEANNE HAYDEN

C. Date of Delivery

2/26/04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☐ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3617

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Pecos Production Company
400 W. Illinois, Suite 1070
Midland, TX 79701-10000

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3600

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

L. Ann Harwell

☒ Agent☐ Addressee

B. Received by (Printed Name)

L. Ann Harwell

C. Date of Delivery

2-24-04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Campbell Investment Company
C/o Pat Greenwade
P. O. Box 3854
Roswell, NM 88202-3854

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3570

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Faye Silva

☒ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

2-24-04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

John D. Cadigan
Drawer F
Cashmere, WA 98815

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3594

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

John D. Cadigan

☒ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

2-26-04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
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1. Article Addressed to:

Thornton Operating Corporation
P. O. Box 833
Midland, TX 79702

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Carolyn Price

☐ Agent☐ Addressee

B. Received by (Printed Name)

Carolyn Price

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service)

7002 2030 0001 8262 3624

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Greg Vujovich
100 Mount Hwy 287 N
Ennis, MT 59729-9122

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X [Signature]

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7002 2030 0001 8262 3648

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Marley Livestock, Inc.
Rt. 2, 45 Crossroads
Roswell, NM 88203

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X [Signature]

☐ Agent☐ Addressee

B. Received by (Printed Name)

G. FORD

C. Date of Delivery

2-24-04

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service)

7002 2030 0001 8262 3631

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Trinity Limited Partnership
2616 Sherrill Ln
Roswell, NM 88201

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☒ Agent
☐ Addressee

B. Received by (Printed Name)

Suzanne Diller

C. Date of Delivery

2.25.04

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service)

7002 2030 0001 8262 3662

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

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EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

March 24, 2004

Greg Vujovich
100 Mount Hwy 287 N
Ennis, MT 59729-9122

RE: ***Revised Operating Agreement Exhibit A***
Value BCV State Com #1
Township 8 South, Range 26 East, NMPM
Section 2: Lots 1,2 (N/2NE/4), SE/4NE/4, SE/4, SW/4NE/4 (E/2)
Chaves County, New Mexico

Dear Mr. Vujovich:

I enclose a revised Exhibit "A" to the operating agreement for your files. Trinity Limited Partnership has been removed as they have assigned their interest to Calto Oil Company and Calto has assigned a portion to Gruy, LLC. If you have any questions please call me.

Very truly yours,

YATES PETROLEUM CORPORATION

Chuck Moran
Landman

CEM:tjv
Enclosure(s)

_____ We hereby accept and incorporate the revised Exhibit A (revision dated 3/24/04) into the Operating Agreement dated February 19, 2004 between Yates Petroleum Corporation as Operator and Yates Drilling Company, et al as Non Operators for the Value BCV State Com #1 well.

GREG VUJOVICH

Printed Name: _____
Date: _____

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

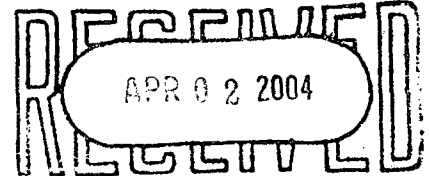


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ARTESIA, NEW MEXICO 88210-2118
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SECRETARY
DENNIS G. KINSEY
TREASURER

March 24, 2004

John D. Cadigan
Drawer F
Cashmere, WA 98815



RE: **Revised Operating Agreement Exhibit A**
Value BCV State Com #1
Township 8 South, Range 26 East, NMPM
Section 2: Lots 1,2 (N/2NE/4), SE/4NE/4, SE/4, SW/4NE/4 (E/2)
Chaves County, New Mexico

Dear Mr. Cadigan:

I enclose a revised Exhibit "A" to the operating agreement for your files. Trinity Limited Partnership has been removed as they have assigned their interest to Calto Oil Company and Calto has assigned a portion to Gruy, LLC. If you have any questions please call me.

Very truly yours,

YATES PETROLEUM CORPORATION

Chuck Moran
Landman

CEM:tjv
Enclosure(s)

☒ We hereby accept and incorporate the revised Exhibit A (revision dated 3/24/04) into the Operating Agreement dated February 19, 2004 between Yates Petroleum Corporation as Operator and Yates Drilling Company, et al as Non Operators for the Value BCV State Com #1 well.

JOHN D. CADIGAN

Printed Name: John D. Cadigan

Date: 3/29/04