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October 9, 2007

VIA HAND DELIVERY

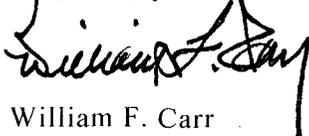
Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Oil Conservation Division Case 13893 (De Novo): Application of Yates Petroleum Corporation for approval of a pilot project in the North Dagger Draw-Upper Pennsylvanian Unit for purposes of establishing proper waterflood injection patterns and for temporary exemption from the provisions of Division Rule 203 concerning approved temporary abandonment of wells, Eddy County, New Mexico.

Dear Mr. Fesmire:

Yates Petroleum Corporation has determined that it cannot economically justify proceeding with this pilot project unless it is granted a temporary exemption from the provisions of Division Rule 203. It presented its case to the examiner and, based on the order entered in that case, understands that this request violates current Division and Commission policy. Accordingly, Yates Petroleum Corporation is going to abandon this project and requests that its de novo appeal of this order, that is scheduled for hearing on October 11, 2007, be dismissed.

Very truly yours,


William F. Carr

cc: Charles Moran, Esq.