

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

S. P. YATES
1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

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November 12, 2010

CERTIFIED MAIL / RETURN RECEIPT

Dear Working Interest Owner
Address List Attached

Re: Well Proposal and Modification of Operating Agreements
S/2 Sec. 36-T19S-R24E
Eddy County, New Mexico

Dear Working Interest Owner:

Yates Petroleum Corporation believes that a horizontal well needs to be drilled to test the Cisco formation under the S/2 Sec. 36-T19S-R24E. We are proposing using the wellbore of an existing well to save money. The existing well is named the Dee 36SW State #2 well located in 940' FSL & 990' FWL in Sec. 36 and is currently producing. To accomplish the Cisco test we need your approval to conduct the operations and we need to determine which of the applicable joint operating agreements in place will govern the operations.

I enclose for your review our AFE for the proposed operation and a Stipulation of Interest and Ratification of Joint Operating Agreement. The agreement is prepared to address this operation and future operations of a similar nature. If you want to participate in this operation, we ask you to sign the AFE and the Stipulation of Interest and Ratification of Joint Operating Agreement (Ratification). Alternatively, if you do not want to participate in this operation, we still request that you sign the Ratification, so that we may take your interest non-consent under the operating agreement.

If you have any questions, please give me a call at 575-748-4349 or email me at cmoran@yatespetroleum.com.

Very truly yours,

YATES PETROLEUM CORPORATION

Chuck Moran
Chief Landman

Yates Petroleum Corporation
Case No. 14598
Exhibit 1

Enclosures:

Address List
Dee 36SE State Com. #7H
AFE 10-240-0

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210
Phone: 575-748-1471
Fax: 575-748-4572

Cathie Cone McCowan
P. O. Box 685
Dripping Spring, TX 78620-0658
Phone: 512-858-1641
Fax: _____

Auvenshine's Children's Testamentary Trust, Cathie Cone McCowan, Trustee
P. O. Box 507
Dripping Spring, TX 78620-0507
Phone: 512-858-1641
Fax: _____

Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of
Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone
P. O. Box 1588
Tulsa, OK 74101-1588
Phone: 918-588-6229
Fax: _____

Randy Lee Cone
P. O. Box 231034
Anchorage, AK 99523
Phone: 907-770-2664
Fax: _____

Tom R. Cone
P. O. Box 400
Southwest City, MO 64863
Phone: 918-854-3170
Fax: _____

Kenneth G. Cone
P. O. Box 11310
Midland, TX 79702
Phone: 432-687-4593
Fax: _____

Kenneth G. Cone, Trustee of the Trusts Created Under The Will and Codicil of Kathleen Cone,
Deceased for the Benefit of the Children of Kenneth G. Cone
P. O. Box 11310
Midland, TX 79702
Phone: 432-687-4593
Fax: _____

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Attention: Chuck Moran

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