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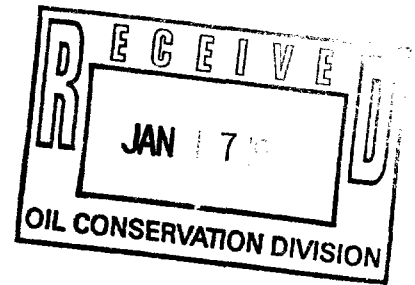
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January 17, 1995

HAND-DELIVERED

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case No. 11185:
Application of Yates Petroleum Corporation for Qualification of the Pressure
Maintenance Project and for the Recovered Oil Tax Credit Pursuant to the
"New Mexico Oil Recovery Act", Eddy County, New Mexico

Dear Mr. Stogner:

The purpose of this letter is to respond to your questions at the December 17, 1994 hearing on the above-referenced application. You asked me to provide you with the name Yates was using for this project. Yates Petroleum Corporation has advised me that they are naming this project their Sawbuck Pilot Project.

As you may recall, Yates had discussed this project with the Bureau of Land Management and been advised that BLM approval would be withheld until a voluntary unit was formed covering the acreage in the project area. Pinson McWhorter has discussed this matter further with Armando Lopez and I can advise you that the Bureau of Land Management will not require the formation of a unit for the pilot project area nor impose any other conditions on the BLM approval of the proposed project.

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
January 16, 1995
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I believe this letter responds to all the questions from the December 17, 1994 hearing. If you need any additional information from Yates concerning this application, please advise.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and a stylized "C".

WILLIAM F. CARR

WFC:mlh

cc: Pinson McWhorter
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210