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JASON KELLAHIN (RETIRED 1991)

August 7, 1995

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 11332
*Application of Yates Petroleum Corporation
to Rescind Order R-10372 which authorized
the unorthodox well location for the Aspden
"AOH" Federal Com Well No. 2 in Case 11235
Eddy County, New Mexico*

Re: NMOCD Case 11235 (Order R-10372)
*Application of Yates Petroleum Corporation for
an Unorthodox Well Location, Eddy County, New Mexico*

Re: Administrative Application
*dated June 19, 1995 of Yates Petroleum
Corporation for approval to now drill the
Aspden "AOH" Well No. 2 as a directionally
drilled well, Eddy County, New Mexico.*

Dear Mr. Stogner:

On July 6, 1995, I filed an objection on behalf of Conoco Inc. to Yates Petroleum Corporation's request to rescind Order R-10372 and for administrative approval to now directionally drill its Aspden "AOH" Well No. 2 which Mr. Bob Fant testifying for Yates at the hearing in Case 112235 held on April 7, 1995 said could not be economically directionally drilled.

I filed that objection, in part because Yates without notice to me or to Conoco and in violation of Division Rule 1208 and Rule 1203 engaged in several "ex parte" discussions with the Division Examiner and the Division attorney in an attempt to invalidate an order which Yates chose not to appeal to a De Novo hearing but rather simply wanted the Division to void because Yates considers it to be a "bad precedent."

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That objection was also filed because Conoco believes that Order No. R-10372 was a uniquely fair and clear solution to the granting of unorthodox well locations in multiple well proration units and set an excellent precedent for future cases of this type. Mr. Catanach is to be commended for his solution and insight to this complex case.

Now, I have received a letter dated July 11, 1995 from Yates' attorney in which Yates admits a detailed "ex parte" communication with the Division concerning this matter.

This is not the first occasion in which Yates, without notice to me or to Conoco, has attempted to get the Division to grant Yates special treatment in this case. Yates previously sought to have the Division allow Yates to commence the well even over Conoco's objection. At least, on that occasion the Division Examiner called and advised me of Mr. Yates' action to which I filed a written objection and copied counsel for Yates.

Now, I have found out Yates has already commenced the drilling of the Aspden well. Such action is presumptuous of the Division procedures and makes any further involvement by Conoco in this matter moot.

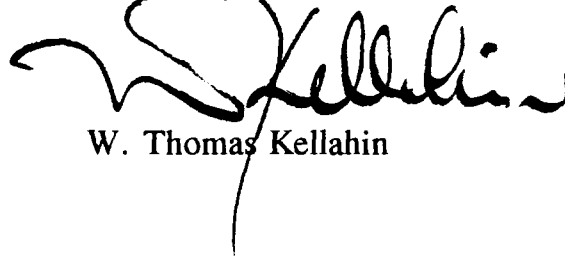
While I disagree with the assertions raised by Yates' attorney in his July 11, 1995 letter to the Division, I will not engage in a rebuttal because I have been advised by Conoco Inc. that it has been forced by other unrelated Yates' action to withdraw from this matter and therefore will leave the issues in the referenced cases to the Division to resolve with Yates without further involvement from Conoco.

Conoco is withdrawing from this matter, because Mr. Randy Patterson of Yates Petroleum Corporation, refused to allow Conoco access to certain Yates controlled acreage for a 2-D Seismic Survey which Conoco had already commenced and unless Yates' refusal was resolved, then Conoco either had to cancel the seismic shoot or pay \$23,000 per day seismic crew standby fee until Yates consented. Yates refused to consent unless Conoco withdrew from the Aspden well dispute.

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Conoco does not engage in frivolous or unsupported protests, but the violation of OCD rules and procedures in regard to the above referenced cases and applications by Yates could not be left unchallenged. Frankly, Conoco is exasperated by the actions of Yates but was forced to concede to the demands of Yates in order to continue with its seismic work and therefore is hereby withdrawing from this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping horizontal stroke extending to the left.

W. Thomas Kellahin

cc: *Rand Carroll, Esq. OCD*
David Catanach, OCD
Conoco Inc.
Attn: Jerry Hoover
Ernest Carroll, Esq.
Attorney for Yates Petroleum Corporation