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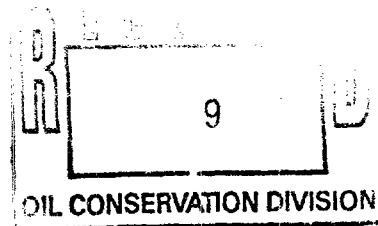
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July 8, 1996

HAND-DELIVERED

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



Re: ***Case 11539: Application of Yates Petroleum Corporation for an unorthodox well location, Lea County, New Mexico***

Dear Mr. Stogner:

Following our recent conversation concerning the above referenced application for hearing and companion application for administrative approval for the proposed unorthodox well location, I contacted Yates Petroleum Corporation concerning their plans for a completion in the Morrow formation.

As you noted, although Yates seeks an unorthodox location in both the Canyon and Morrow formations, the data supplied in support of its administrative application applies only to the Canyon or Upper Pennsylvanian. Yates advises that the primary objective is the Mimosa AHS Federal No. 3 Well in the Canyon or Upper Pennsylvanian formation. They anticipate encountering this formation at an approximate depth of 7600 feet. If Yates is able to make a well in this formation, they will not drill deeper. If, however, the Canyon is non-productive, Yates desires to drill to the Morrow at an anticipated approximate depth of 8900 feet and attempt to make a well in that formation. If the Morrow is also non-productive, Yates will return to the Division seeking authority to use this well as a disposal well in the Devonian formation.

Michael E. Stogner

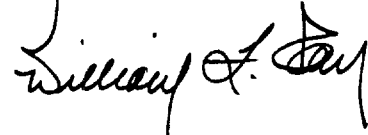
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Yates hopes to drill this well late in July and is prepared to come to hearing on July 11 if you desire. As to the Morrow formation, however, there is little evidence that can be presented at that date.

I am available to discuss this matter with you at your convenience.

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: Kathy Porter, CPL
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210