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February 25, 1997

1997 - 3

VIA FAX. 505-827-8177 and
CERTIFIED MAIL, RETURN RECEIPT

State of New Mexico
Oil Conservation Division
Attention: Mike Stogner, Examiner
2040 S. Pacheco Street
Santa Fe, NM 87505

MS

Re: Application of Yates Petroleum Corporation for Compulsory Drilling, and an Unorthodox Location, Lea County, New Mexico., Case No. 11738, Scheduled for Hearing March 6, 1997

Dear Mr. Stogner:

Please consider this correspondence to be an appearance and preservation of rights in the above-referenced matter on behalf of my clients Leonardo S. Anderson, Jr., and Laura Geraldine Anderson-Hill (Hurst, Chinello and Mandell).

My clients object to the application which is scheduled for hearing on March 6, 1997, and trust that you will take the comments expressed in this correspondence into consideration at the hearing. My clients are working interest owners in the West Lovington Strawn Pool currently operated by Gillespie-Crow, Inc.

Applicant (Yates Petroleum Corporation) proposes to drill directionally to test all formations from the surface to the base of the Morrow formation, Undesignated Townsend-Morrow Gas Pool. Unfortunately, however, applicant intends to drill to the northwest into areas that are clearly a part of the West Covington Strawn Pool. Although applicant has a right to drill at its current location, it has no rights to drill directionally into a neighboring pool, even in the guise of exploring its own area formations. Attorneys for Yates claims entitlement to a just and fair share of oil and gas underlying its own subject lands. It is not entitled to any share whatsoever from a separate pool, separate formation, for which it has no mineral interests.

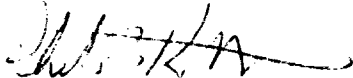
Trusting these comments and objections will be given the due weight to which you deem them entitled, my clients hereby request that the applicant be denied the relief requested.

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State of New Mexico
Oil Conservation Division
Mike Stogner, Examiner
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I thank you for your cooperation and consideration in this matter and hereby request that notice of your ruling be mailed directly to this office at the above address.

Sincerely yours,

KLATCHKO & KLATCHKO

A handwritten signature in black ink, appearing to read 'Philip S. Klatchko', with a stylized flourish at the end.

Philip S. Klatchko

PSK/tah

cc: Leonardo S. Anderson, Jr.
Laura Geraldine Anderson-Hill, c/o Hurst, Chinello and Mandell
William F. Carr, Esq.