

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

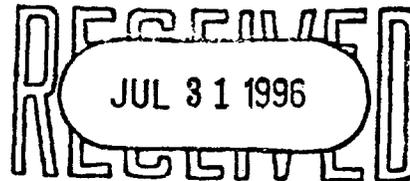


105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

July 24, 1996

Mr. Quentin Rogers
CDQ, Inc.
#52 Rogers Drive
Artesia, New Mexico 88210



Re: Letter Agreement concerning the Big Buck Pounds Com #1 Well

Mr. Rogers:

We understand that CDQ, Inc., of which you are a principal shareholder, is the owner and operator of the Big Buck Pounds Com #1 Well ("the Well"), located in the NE/4 SE/4 of Section 27, Township 17 South, Range 26 East, N.M.P.M. CDQ is the holder of an oil and gas lease dated February 26, 1974, recorded Book 116, Page 348, Miscellaneous Records, from you and Mrs. Rogers to Hanson Oil Corporation, now held by CDQ, Inc., covering the S/2 SW/4 and SW/4 SE/4 of said Section 27 only from 4,000' down to 100' below the deepest depths drilled in the Well ("Bottom Lease"). The Bottom Lease is communitized with other leases in the S/2 of said Section 27 to form a spacing and proration unit for the Well. You are using gas from the Well to operate motors on water wells in the area.

We are interested in developing a prospect in the area, and because we have some concerns about the validity of the Bottom Lease, we are requesting that you execute and deliver to us an oil and gas lease (the "Top Lease") covering the same lands. When we have secured leases from the necessary parties in the area we propose to request releases of all of the Bottom Leases. In consideration for your execution of Top Lease and eventual release of the Bottom Lease, we covenant and agree as follows:

1. CDQ, Inc. can continue to own the Well and, subject to the payment of royalty and other interest owners, the production therefrom, for the purpose of supplying gas for the motors on the water wells in the area, for selling gas or for such other reasonable purposes.
2. CDQ, Inc. can continue to operate the Well in its name or as agent for us upon the condition that you and CDQ, Inc. will indemnify us from any liability arising out of its operations of the Well.

When the Well has ceased to produce CDQ, Inc. will notify us of your intention to plug and abandon the Well and we shall have thirty days after receipt of such notice of intention to abandon the

YATES PETROLEUM CORP.
BEFORE EXAMINER CATANACH
NMOCD CASE NO. 11804
DATE: July 10, 1997

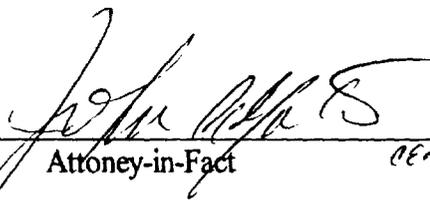
EXHIBIT NO. 4

Well in which to elect to take over the Well you propose to abandon. In the event we elect to take over the Well, we will pay to you, subject to proportional reduction, the reasonable market value of the salvage materials in the Well, and in such event you shall furnish us with an assignment of the Well, any equipment and the spacing unit dedicated to the Well, free and clear of all liens, encumbrances, overriding royalties, production payments interests, and other burdens on production which are not pursuant to the lessor royalty reserved in the applicable leases. In the event we do not notify you of our election to take over the well within the time herein provided, you shall plug and abandon the well in accordance with all applicable rules and regulations.

If this is your understanding of our agreement with respect to the Bottom and Top Leases and the Big Buck Pounds No. 1 Well, please sign one copy of this letter in the space provided below and return it to us. Additionally, this letter agreement revokes and replaces a letter agreement dated May 28, 1996, signed by John A. Yates for Yates Petroleum Corporation, Albert Quentin Rogers individually, and not signed on behalf of CDQ, Inc.:

Yours truly,

Yates Petroleum Corporation

By: 
Attorney-in-Fact JAY

The foregoing agreement is accepted this July 27, 1996.


Albert Quentin Rogers

CDQ, Inc.

By: 
Title: President