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

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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

February 26, 1998

John F. Harbig, Jr. Suite 280, One Marienfeld Place Midland, Texas 79701

CERTIFIED MAIL RETURN RECEIPT REQUESTED

RE: Fields APK State Com. #3 <u>Township 16 South, Range 35 East, NMPM</u> Section 2: 3300' FSL and 760' FWL Lea County, New Mexico

Gentlemen:

Please find enclosed our AFE proposing the drilling of the captioned well to test the Morrow formation.

If you wish to participate, please execute and return the AFE along with you check to cover your share of the dry hole costs.

Should you not desire to participate, Yates would farm-in your interest, accepting a 75% Net Revenue Interest lease before payout and at payout you would have the option to convert your override to a 25% working interest proportionately reduced.

We will forward our Operating Agreement in the very near future.

Please call me at 505-748-4351 if you have any questions regarding this proposal.

Very truly yours,

YATES PETROLEUM CORPORATION

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Ropert Bullock Landman

RB/ljf enclosure(s)

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ł	Postage	\$
	Certified Fee	
Ī	Special Delivery Fee	
	Restricted Delivery Fee	
1995	Return Receipt Showing to Whom & Date Delivered	
April	Return Receipt Showing to Whom, Date, & Addressee's Address	
ğ	TOTAL Postage & Fees	\$
PS Form 3800 , April 1995	Postmark or Date Fuld HI Com # 3	R State RB/ly

on the reverse side?	 SENDER: Complete items 1 and/or 2 for additional services. Complete items 3, 4a, and 4b. Print your name and address on the reverse of this form so that we card to you. Attach this form to the front of the mailpiece, or on the back if space permit. Write '<i>Return Receipt Requested</i>' on the mailpiece below the article The Return Receipt will show to whom the article was delivered an delivered. 	e does not e number. Id the date	I also wish to receive the following services (for an extra fee): 1.	eipt Service.	180
N ADDRESS completed o	3. Article Addressed to: John F. Harbig, Jr. Suite 280, One Marienfeld Place Midland, Texas 79701	4b. Service 1	43 810 438 Type Image: Constrained state s	you for using Return Rec	
is your <u>RETUR</u>	5. Received By: (Print Name) Sht A. F. HCKELG K. 6. Signature: (Addressee or Agent) X PS Form 3811, December 1994 102	and fee is	B's Address (Only if requested paid) L HOL State 3 RB/L/ Domestic Return Receip	Thank	



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920-480 Supervision & O/H - Completion 3,100 920-490 Additional LOC Charges - Completion 1,200 920-510 Bits, Tools & Supplies - Completion 1,800 920-500 Contingency for Completion 1,800 920-500 Contingency for Completion 1,800 TOTAL INTANGIBLE DRILLING COSTS 591,100 807,700 TANGIBLE EQUIPMENT COSTS: 930-010 Christmas Tree & Wellhead 2,000 26,000 930-020 Casing 11.3/4" @ 450' 7,600 7,600 7,600 930-030 Tubing 2 7/8" @ 12400' 933,000 933,000 930-040 Packer & Special Equipment 8,000 940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 22,700 22,700 22,700 940-030 Separation Equip., Flowlines, Misc. 25,000 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 15,700 </td <td></td> <td>***************************************</td> <td></td> <td></td>		***************************************		
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930-010 Christmas Tree & Wellhead 2,000 26,000 26,000 26,000 26,000 7,600		IOTAL INTANGIBLE DRILLING COSTS	591,100	807,700
930-020 Casing 11-3/4" @ 450' 7,600 7,600 8-5/8" @ 4650' 56,500 56,500 56,500 930-030 Tubing 2 7/8" @ 12,600' 93,000 930-040 Packer & Special Equipment 35,000 940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 222,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 15,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500	TANGIBLE EQUIP	MENT COSTS:		
8-5/8" @ 4650' 56,500 56,500 930-030 Tubing 27/8" @ 12,600' 93,000 930-040 Packer & Special Equipment 35,000 940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 222,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 15,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200	930-010		2,000	26,000
8-5/8" @ 4650' 56,500 56,500 930-030 Tubing 27/8" @ 12,600' 93,000 930-040 Packer & Special Equipment 35,000 940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 222,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 15,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200	930-020		7,600	7,600
5-1/2" @ 12,600' 93,000 930-030 Tubing 27/8" @ 12400' 35,000 930-040 Packer & Special Equipment 8,000 940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 22,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 115,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200		8-5/8" @ 4650'	56,500	56,500
930-040 Packer & Special Equipment 8,000 940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 22,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 115,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200				93,000
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940-010 Pumping Equipment including \$20,000 for electricity 116,000 940-020 Storage Facilities 22,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 15,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200				
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940-020 Storage Facilities 22,700 940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 15,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200	940-010	Pumping Equipment including \$20,000 for electricity		116 000
940-030 Separation Equip., Flowlines, Misc. 25,000 940-040 Trucking & Construction Costs 15,700 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200				
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TOTAL TANGIBLE EQUIPMENT COSTS 66,100 405,500 TOTAL COSTS 657,200 1,213,200				
TOTAL COSTS 657,200 1,213,200				
		IOTAL TANGIBLE EQUIPMENT COSTS	66,100	405,500
	TOTAL COSTS		657,200	1,213,200

PPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By	AL SPRINGER	Operations Approval	
	OWNER		SHARE
ВҮ		DATE	
BY		DATE	
BY		DATE	L
RY		DATE	·