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

December 10, 1997

Five States 1995-B, Ltd. 4925 Greenville Avenue #1220 Dallas, Texas 75206

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CERTIFIED MAIL RETURN RECEIPT REQUESTED

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RE: Field 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 your check to cover your share of the dry hole costs.

Should you not desire to participate, Yates would farm-in your interest on mutually agreed upon terms.

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

Cobert Bullak

Robert Bullock Landman

RB/ljf enclosure(s)

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| | US Postal Service Receipt for Certified Mail No Insurance Coverage Provided. Do not use for International Mail (See reverse) Sent to Five States 1995-B, Ltd. Five States 1995-B, Ltd. Five States 1995-B, Ltd. Five States 1995-B, Ltd. Five States 1995-B, Ltd. | | |
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| | Certified Fee | | |
| | Special Delivery Fee | | |
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| April 1995 | Return Receipt Showing to Whom & Date Delivered | | |
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| 800 | TOTAL Postage & Fees | \$ | |
| Form 3800 | Postmark or Date | Nate | |
| ی م | Com # 3 | RB/y | |

| on the reverse side? | Print your name and address on the reverse of this form so that we can return this card to you. Attach this form to the front of the mailpiece, or on the back if space does not permit. Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered. | | | ces (for an ssee's Address cted Delivery | eipt Service. |
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| 920-230 Coring, Tools & Service 50,000 920-240 Bits, Tool & Supplies Purchase 50,000 920-350 Cementing - Production Casing 90 920-410 Completion Unit - Swabbing 90 920-420 Water for Completion 91 920-430 Mud & Additives for Completion 92 920-430 Mud & Additives for Completion 92 920-440 Cementing - Completion 92 920-450 Elec. Logs, Testing, Etc Completion 92 920-460 Tools & Equip. Rental, Etc Completion 92 920-460 Supervision & O/H - Completion 92 920-480 Supervision & S. O/H - Completion 92 920-480 Supervision & S. O/H - Completion 92 920-490 Additional LOC Charges - Completion 92 920-500 Contingency for Completion 92 930-010 Christmas Tree & Wellhead 2,000 930-020 Casing 11.314" @ 450' 930-030 Tubing 27.63" @ 12400' 930-030 Tubing 27.63" @ 12400' 930-030 Tubing & Construction Costs 94 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Fa | 17,40 | 17,400 | | Supervision & Overhead | 920-210 |
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| 920-240 Bits, Tool & Supplies Purchase 50,000 920-350 Cementing - Production Casing | | | | Coring Tools & Service | 920-230 |
| 920-350 Cementing - Production Casing 920-410 Completion Unit - Swabbing 920-420 Water for Completion 920-430 Mud & Additives for Completion 920-440 Cementing - Completion 920-440 Cementing - Completion 920-450 Elec. Logs, Testing, Etc Completion 920-470 Stimulation for Completion 920-480 Supervision & O/H - Completion 920-490 Additional LOC Charges - Completion 920-510 Bits, Tools & Supplies - Completion 920-500 Contingency for Completion 7OTAL INTANGIBLE DRILLING COSTS 591,100 TANGIBLE EQUIPMENT COSTS: 930-010 930-020 Casing 11-3/4" @ 450' 930-030 Tubing 27/8" @ 12400' 930-040 Packer & Special Equipment 940-010 940-030 Separation Equip., Flowlines, Misc. 940-030 940-040 Trucking & Construction Costs 66,100 TOTAL COSTS 66,100 572,200 Consider a supplication costs 940-010 Purping Equipment including \$20,000 for electricity 940-030 | 50,00 | 50 000 | | | |
| 920-410 Completion Unit - Swabbing | 36,5 | | | | |
| 920-420 Water for Completion 920-430 Mud & Additives for Completion 920-440 Cementing - Completion 920-440 Elec. Logs, Testing, Etc Completion 920-450 Elec. Logs, Testing, Etc Completion 920-460 Tools & Equip. Rental, Etc Completion 920-470 Stimulation for Completion 920-480 Supervision & O/H - Completion 920-480 Additional LOC Charges - Completion 920-490 Additional LOC Charges - Completion 920-510 Bits, Tools & Supplies - Completion 920-500 Contingency for Completion 920-500 Contigency for Completion 930-010 Christmas Tree & Wellhead 930-020 Casing 11.3/4" @ 450' 51/2" @ 12,600' 930-030 Tubing 940-010 Pumping Equipment 940-010 Pumping Equipment 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 | 10,0 | | | | |
| 920-430 Mud & Additives for Completion 920-440 Cementing - Completion 920-450 Elec. Logs, Testing, Etc Completion 920-460 Tools & Equip. Rental, Etc Completion 920-470 Stimulation for Completion one zone test only 920-480 Supervision & O/H - Completion 920-480 Supervision & O/H - Completion 920-480 Additional LOC Charges - Completion 920-480 Additional LOC Charges - Completion 920-480 Additional LOC Charges - Completion 920-500 Contingency for Completion 930-010 Christmas Tree & Wellhead 930-020 Casing 11-3/4" @ 450' 930-030 Tubing 930-040 Packer & Special Equipment 940-010 Pumping Equipment 940-020 Storage Facilities 940-030 Separation Equip, Flowlines, Misc. 940-030 Separation Costs TOTAL TANGIBLE | 8,00 | | | | |
| 920-440 Cementing - Completion 920-450 Elec. Logs, Testing, Etc Completion 920-460 Tools & Equip. Rental, Etc Completion 920-470 Stimulation for Completion 920-480 Supervision & O/H - Completion 920-480 Supervision & O/H - Completion 920-480 Supervision & O/H - Completion 920-480 Additional LOC Charges - Completion 920-480 Contingency for Completion 920-500 Contingency for Completion 920-500 Contingency for Completion TANGIBLE EQUIPMENT COSTS: 591,100 930-010 Christmas Tree & Wellhead 2,000 930-020 Casing 11-3/4" @ 450' 7,600 \$-5/8" @ 4560' 55,500 55,500 930-030 Tubing 2 7/8" @ 12400' 9 930-040 Packer & Special Equipment 9 9 940-010 Pumping Equipment including \$20,000 for electricity 9 940-020 Storage Facilities 9 9 940-030 Separation Equip, Flowlines, Misc. 9 9 940-040 Trucking | 1,00 | | | | |
| 920-450 Elec. Logs, Testing, Etc Completion 920-460 Tools & Equip. Rental, Etc Completion 920-470 Stimulation for Completion 920-480 Supervision & O/H - Completion 920-480 Supervision & O/H - Completion 920-480 Additional LOC Charges - Completion 920-480 Additional LOC Charges - Completion 920-510 Bits, Tools & Supplies - Completion 920-500 Contingency for Completion TOTAL INTANGIBLE DRILLING COSTS 591,100 TANGIBLE EQUIPMENT COSTS: 930-010 930-020 Casing 11-3/4" @ 450' 930-020 Casing 11-3/4" @ 450' 930-030 Tubing 2.7/8" @ 12400' 930-040 Packer & Special Equipment 940-010 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities 940-030 940-030 Separation Equip., Flowlines, Misc. 940-040 940-040 Trucking & Construction Costs 10 TOTAL TANGIBLE EQUIPMENT COSTS 667,200 Approval of This AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR | | | | • | |
| 920-460 Tools & Equip. Rental, Etc Completion one zone test only 920-470 Stimulation for Completion one zone test only 920-480 Supervision & O/H - Completion one zone test only 920-480 Additional LOC Charges - Completion one zone test only 920-480 Additional LOC Charges - Completion one zone test only 920-510 Bits, Tools & Supplies - Completion one zone test only 920-500 Contingency for Completion one zone test only 7OTAL INTANGIBLE DRILLING COSTS 591,100 TANGIBLE EQUIPMENT COSTS: 930-010 930-020 Casing 11-3/4" @ 450' 5-1/2" @ 12,600' one zone test only 930-030 Tubing 2 7/8" @ 12400' 930-040 Packer & Special Equipment one zone test only 940-010 Pumping Equipment oncluding \$20,000 for electricity 940-020 Storage Facilities one zone test only 940-030 Separation Equip., Flowlines, Misc. one zone test only 940-040 Trucking & Construction Costs of this AFE constitutes APPROVAL of OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED | 35,00 | | | • • • | |
| 920-470 Stimulation for Completion one zone test only 920-480 Supervision & O/H - Completion | 20,00 | | | | |
| 920-480 Supervision & O/H - Completion 920-490 Additional LOC Charges - Completion 920-510 Bits, Tools & Supplies - Completion 920-500 Contingency for Completion 920-500 Contingency for Completion 920-500 TOTAL INTANGIBLE DRILLING COSTS TANGIBLE EQUIPMENT COSTS: 930-010 930-010 Christmas Tree & Wellhead 930-020 Casing 8-5/8" @ 4650' 5-1/2" @ 12,600' 930-030 Tubing 2 7/6" @ 12400' 930-040 Packer & Special Equipment 940-010 Pumping Equipment 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL TANGIBLE EQUIPMENT COSTS 66,100 | 100,00 | | | | |
| 920-490 Additional LOC Charges - Completion 920-510 Bits, Tools & Supplies - Completion 920-500 Contingency for Completion TOTAL INTANGIBLE DRILLING COSTS 591,100 TANGIBLE EQUIPMENT COSTS: 930-010 930-010 Christmas Tree & Wellhead 930-020 Casing 930-030 Tubing 930-040 Packer & Special Equipment 940-010 Pumping Equipment 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL COSTS 665,100 | 3,10 | | | | |
| 920-510 Bits, Tools & Supplies - Completion 920-500 Contingency for Completion TOTAL INTANGIBLE DRILLING COSTS 591,100 TANGIBLE EQUIPMENT COSTS: 930-010 930-020 Casing 11-3/4" @ 450' 930-030 Tubing 2.7/8" @ 12400' 930-040 Packer & Special Equipment 940-010 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities 940-030 940-030 Separation Equip., Flowlines, Misc. 940-040 940-040 Trucking & Construction Costs 66,100 TOTAL COSTS 665,7200 OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared By AL SPRINGER Operations Approval | 1,20 | | | | |
| 920-500 Contingency for Completion TOTAL INTANGIBLE DRILLING COSTS 591,100 TANGIBLE EQUIPMENT COSTS: 930-010 930-010 Christmas Tree & Wellhead 2,000 930-020 Casing 11-3/4" @ 450' 7,600 8-5/8" @ 4650' 56,500 56,500 930-030 Tubing 2,7/8" @ 12400' 930-040 930-040 Packer & Special Equipment 930-040 930-040 940-010 Pumping Equipment including \$20,000 for electricity 940-010 940-020 Storage Facilities 940-010 940-010 940-030 Separation Equip., Flowlines, Misc. 940-040 1000000 940-040 Trucking & Construction Costs 1000000000000000000000000000000000000 | 1,80 | | | | |
| TOTAL INTANGIBLE DRILLING COSTS TOTAL INTANGIBLE DRILLING COSTS S91,100 TANGIBLE EQUIPMENT COSTS: 930-010 Christmas Tree & Wellhead 930-020 Casing 11-3/4" @ 450' 7,600 8-5/8" @ 4650' 56,500 5-1/2" @ 12,600' 930-030 Tubing 2 7/8" @ 12400' 930-040 Packer & Special Equipment 940-010 Pumping Equipment including \$20,000 for electricity 940-010 940-010 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Operations Approval | | P | | | 920-500 |
| TANGIBLE EQUIPMENT COSTS: 2,000 930-010 Christmas Tree & Wellhead 2,000 930-020 Casing 11-3/4" @ 450' 7,600 8-5/8" @ 4650' 56,500 56,500 5-1/2" @ 12,600' 1 1 930-030 Tubing 2 7/8" @ 12400' 1 930-040 Packer & Special Equipment 1 940-010 Pumping Equipment 1 940-020 Storage Facilities 1 940-030 Separation Equip., Flowlines, Misc. 1 940-040 Trucking & Construction Costs 1 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 Approval of operations 8y AL SPR INGER Operations 8y AL SPR INGER Operations | 807,70 | 591 100 | | | |
| 930-010 Christmas Tree & Wellhead 2,000 930-020 Casing 11-3/4" @ 450' 7,600 8-5/8" @ 4650' 56,500 56,500 930-030 Tubing 2 7/8" @ 12400' 930-040 930-040 Packer & Special Equipment 940-010 Pumping Equipment including \$20,000 for electricity 940-010 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 940-040 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 Prepared By By AL SPRINGER | | | | | |
| 930-020 Casing 11-3/4" @ 450' 7,600 8-5/8" @ 4650' 56,500 5-1/2" @ 12,600' 1 930-030 Tubing 2 7/8" @ 12400' 930-040 Packer & Special Equipment 1 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities 1 940-030 Separation Equip., Flowlines, Misc. 1 940-040 Trucking & Construction Costs 1 TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared AL SPR INGER Operations Approval | | | | | |
| 8-5/8" @ 4650' 56,500 930-030 Tubing 27/8" @ 12400' 930-040 Packer & Special Equipment 1 940-010 Pumping Equipment including \$20,000 for electricity 1 940-020 Storage Facilities 1 940-030 Separation Equip., Flowlines, Misc. 1 940-040 Trucking & Construction Costs 1 TOTAL TANGIBLE EQUIPMENT COSTS 666,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER Operations | 26,00 | | | | |
| 5-1/2" @ 12,600' 930-030 Tubing 2 7/8" @ 12400' 930-040 Packer & Special Equipment | 7,60 | | | | 930-020 |
| 930-030 Tubing 27/8" @ 12400' 930-040 Packer & Special Equipment | 56,50 | 50,500 | | 8-5/8" @ 4650" | |
| 930-040 Packer & Special Equipment 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities | 93,00 | ······· | | 5-1/2" @ 12,600" | |
| 930-040 Packer & Special Equipment 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities | 25 00 | ········ | | Tubing 27/01 @ 424001 | 020 020 |
| 940-010 Pumping Equipment including \$20,000 for electricity 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 35,00 | | | Decker & Special Equipment | |
| 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 8,00 | | | racker a Special Equipment | 930-040 |
| 940-020 Storage Facilities 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 116,00 | | 00 for electricity | Pumping Equipment including \$20,00 | 940-010 |
| 940-030 Separation Equip., Flowlines, Misc. 940-040 Trucking & Construction Costs TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 22,70 | | | Storage Facilities | 940-020 |
| TOTAL TANGIBLE EQUIPMENT COSTS 66,100 TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 25,00 | | | Separation Equip., Flowlines, Misc. | 940-030 |
| TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 15,7 | | | Trucking & Construction Costs | 940-040 |
| TOTAL COSTS 657,200 APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 405,5 | 66 100 | | TOTAL TANGIBLE FOUNDMENT COSTS | |
| APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. | | | | | |
| FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE. Prepared Operations By AL SPRINGER | 1,213,20 | 657,200 | | | IOTAL COSTS |
| Prepared Operations By AL SPRINGER Approval | GOODS | | | | APPROVAL OF T |
| By AL SPRINGER Approval | | ABOVE. | EHOUSE STOCK AT THE RATES STATED A | FROM THE OPERATOR'S WAR | |
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