

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
PAUL R. OWEN
ANTHONY F. MEDEIROS

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-8043
E-MAIL: ccbspa@ix.netcom.com

December 15, 1999

HAND DELIVERED

David H. Arrington Oil & Gas, Inc.
Post Office Box 2071
Midland, Texas 79702

Re: **STIPULATION AND WAIVER OF OBJECTION**
Unorthodox well location
R. T. Burns "ATL" Well No. 1
330 feet from the South and East lines
Section 11, Township 16 South, Range 35 East, NMPM
Lea County, New Mexico.

Dear Mr. Arrington:

Yates Petroleum Corporation requests that David H. Arrington Oil & Gas, Inc. waive objection to an unorthodox well location for the R. T. Burns "ATL" Well No. 1 which Yates proposes to drill at an unorthodox location 330 feet from the South and East lines of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico upon the following stipulated terms and conditions:

- A. A production penalty shall be imposed on the R.T. Burns "ATL" Well No. 1 in any formation which is governed by Oil Conservation Division rules that provide for wells to be located no closer than 660 feet from the quarter section boundary. This penalty shall equal the percentage the well's bottomhole encroaches on the boundary based on a 660 foot minimum set back.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12291 Exhibit No. 3
Submitted by: David Petroleum Corporation
Hearing Date: December 16, 1999

David H. Arrington Oil & Gas, Inc.

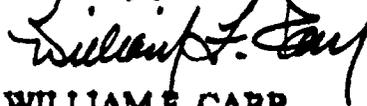
December 15, 1999

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B. Yates will waive objection to a David H. Arrington Oil & Gas, Inc. unorthodox location in the NE/4 NE/4 of section 14, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. Any well at an unorthodox location in said Section 14 shall be subject to a production penalty equal to the percentage the well's bottomhole location encroaches on the quarter section boundary based on a 660 foot minimum set back requirement. This production penalty shall be applied to the results of semi-annual deliverability test of the well conducted in accordance with requirements of the Oil Conservation Division.

Please sign a copy of his letter indicating the Waiver and Approval of David H. Arrington Oil & Gas, Inc. and return it to me as confirmation of this agreement.

Very truly yours,



WILLIAM F. CARR

Attorney for Yates Petroleum Corporation

APPROVAL AND WAIVER OF OBJECTION:

David H. Arrington Oil & Gas, Inc.

By: 

Title

WFC/md

cc: Mr. Randy Patterson

CHESAPEAKE OPERATING, INC.

PO. BOX 18490
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/848-8000, EXT. 414
405/879-9562 FAX

LAND DEPARTMENT
LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

October 15, 1999

VIA FACSIMILE (505) 748-4572

Mr. Robert Bullock
Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

Re: Unorthodox Locations, Waivers to Protest
Yates' R.L. Bum ATL #1
Section 11-16S-35E,
Chesapeake's College of the SW 1-17
Section 17-16S-36E,
Lea County, New Mexico

Dear Robert:

As discussed and agreed upon in our telephone conversation of this date, Chesapeake Operating, Inc. consents to a waiver to protest Yates' unorthodox location in the R. L. Bum ATL #1 re-entry, being 330' FSL and 330' FEL in the captioned section. Yates Petroleum Corporation will reciprocate with a waiver to protest Chesapeake's unorthodox location in the College of the SW re-entry, being 560' FSL and 1,085' FWL in the captioned section.

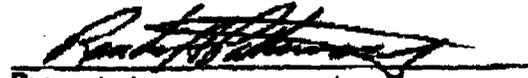
If the above is as agreed upon, please sign in the space so provided and return to me by facsimile at (405) 879-9535.

Very truly yours,


Lynda F. Townsend

Agreed to this 15th day of October, 1999.

YATES PETROLEUM CORPORATION


By: *Atty-in-Fact*

Page 2

November 17, 1999

The undersigned hereby agrees to the above terms and conditions as prescribed by Global Natural Resources Corporation of Nevada.

YATES PETROLEUM CORPORATION

By: *John Yates Jr* *RB*

Name Printed: JOHN YATES JR.

Title: Vice President

LOS

NOV 17 '99 04:14PM OCEAN LAND

P.2/3



November 17, 1999

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, New Mexico 88210-2118

Attn: Mr. Robert Bullock

Re: Unorthodox Location
R. L. Burn ATL #1 T16S, R35E, Section 11
330' from the South line and 330' from the East line
Lea County, New Mexico

Dear Mr. Bullock:

Global Natural Resources Corporation of Nevada ("GNR"), a subsidiary of Ocean Energy, Inc. owns 70 mineral acres in the W/2 of Section 12, T16S, R35E, which is the east offset to your proposed reentry of the R. L. Burn ATL #1. GNR will agree to waive any objection to the unorthodox location of your proposed well, if in exchange, Yates Petroleum Corporation agrees to waive objection to GNR or Ocean Energy, Inc., its parent company, for a well location no closer than 330 feet from the west and/or south lines of Section 12 for all formations from the base of the Wolfcamp to the base of the Mississippian. GNR further requests all well information obtained from the drilling of your well, including all electric and mechanical logs, when the information becomes available to Yates Petroleum Corporation.

If you are agreeable to these conditions, please sign and return one (1) copy of this letter to the undersigned.

If you require additional information or wish to discuss this request, please give me a call at (713) 265-8897.

Yours very truly,

GLOBAL NATURAL RESOURCES CORPORATION
OF NEVADA, a subsidiary of OCEAN ENERGY, INC.

A handwritten signature in cursive script that reads "Derold Maney".

Derold Maney
Senior Staff Landman

Ocean Energy, Inc. 1001 Fehair, Suite 1600 Houston, Texas 77002-6794 (713) 265-4330

MARTIN WATER, OF
1910-1980
FRANK W. WATER
1980-1988



H. P. WATERS
President of the Board
JOHN A. WATERS
President
MAYNOR YATES
Executive Vice-President
RANDY E. PATTERSON
President
DERRICK S. KIRBY
Treasurer

RECEIVED
OCT 28 1999
405 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

October 15, 1999

Merit Energy Company
2510 W. Ohio Avenue
Midland, Texas 79701

RE: Offset Operator Notification
Unorthodox Location
R.L. Barns ATL #1
Township 16 South Range 35 East
Section 11: 330' FSL & 330' FEL
Lau County, New Mexico

Guidance:

Yates Petroleum Corporation plans to re-enter the existing wellbore at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in NMOCD Rule 194 C. (2) (b) (Revised 9-12-89).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned. Any objection must be filed in writing with the NMOCD within twenty (20) days from the date of this notice.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bulluck
Robert Bulluck
Lawman

RDAs
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation

MERIT ENERGY COMPANY

By: J. Paul F. [Signature]
Title: Area Manager
Date: 10-26-99