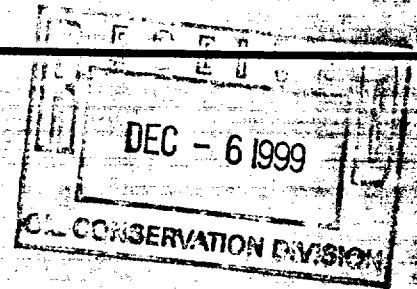




Resources LLC

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VIA FAX (505) 827-8177

November 30, 1999

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Case No. 12291
Application of Yates Petroleum Corporation ("Yates")
Unorthodox Gas Well Location
Lea County, New Mexico

Dear Mr. Stogner:

The referenced case concerns an existing well which Yates plans to re-enter and deepen in the E/2 of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. Star Acquisition VI, LLC ("Star") has agreed to acquire a working interest in offsetting acreage and wells from Merit Energy Company ("Merit"). Without our knowledge, Merit recently waived objection to Yates' unorthodox well location, and thus Star is bound by Merit's waiver. However, since Star Resources, LLC, the operating entity on behalf of Star, is a new operator in New Mexico, we would appreciate information on how such applications are being processed in light of the Division's recently revised well location rules for deep gas wells. Thank you for any information you can provide us.

Sincerely,

Mitchell J. Reneau
Director of Land

12-6-99

See attachments.

cc: Merit Energy Company