

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

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

JACA M. CAMPBELL
1918-1999

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

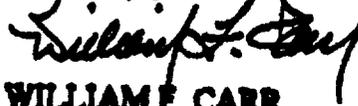
BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12221 Exhibit No. 2
Submitted by: David Petroleum Corporation
Hearing Date: December 16, 1999

David H. Arrington Oil & Gas, Inc.
December 15, 1999
Page 2

- 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 this 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