

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2205

SANTA FE, NEW MEXICO 87504-2205

January 6, 1997

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4265  
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**(505) 827-8177**

Mr. David R. Catanach  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: *NMOCD Case 11677*  
*Application of Yates Petroleum Corporation*  
Re: *NMOCD Case 11656*  
*Application of InterCoast Oil and Gas Company,*

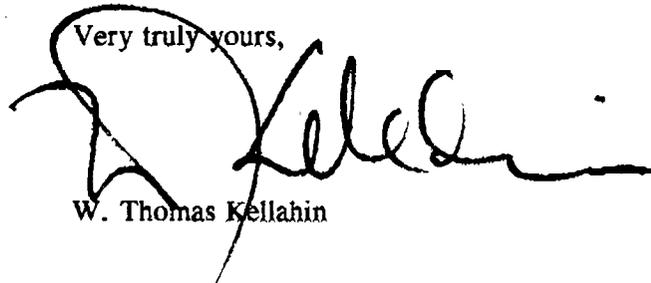
Dear Mr. Catanach:

This afternoon I received in the mail a copy of the letter Mr. Bruce hand delivered to you on January 3, 1997 in which he contends that our order on behalf of Yates contains factual errors.

Mr. Bruce is wrong. I have again reviewed the Yates' proposed order. We were correct. See Yates' Exhibit 3. You will remember that Mr. Rock Quinn, InterCoast landman, testified he made a mistake when he originally claimed to have 47.5% percent of the 320-acre spacing unit as a result of his farmout from Kerr-McGee. See Yates Exhibit 3). In fact, until Mecca Mauritsen told him, he did not know that Kerr-McGee's "47.5%" was subject to a 23.416% interest held by Mrs. Redfern (now Diamond Head). Thus, Kerr-McGee's gross 47.5% interest less 23.416% held by Diamond Head leaves InterCoast with 24.101%.

Finally, while the parties may have discussed this well proposal for months does not negate the fact that InterCoast filed its pooling case prior to properly proposing the well. As you know, the Division has penalized other applicants for doing what InterCoast did-- resorting to compulsory pooling without first submitting an AFE and well proposal.

Very truly yours,



W. Thomas Kellahin

cc: James Bruce, Esq.  
Attorney for InterCoast  
cc: Yates Petroleum Corporation  
Attn: Mecca Mauritsen

**KELLAHIN AND KELLAHIN**

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JASON KELLAHIN (RETIRED 1991)

December 31, 1996

**HAND DELIVERED**

Mr. David R. Catanach  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*Re: NMOCD Case 11677  
Application of Yates Petroleum Corporation  
for Compulsory Pooling, Eddy County, New Mexico*

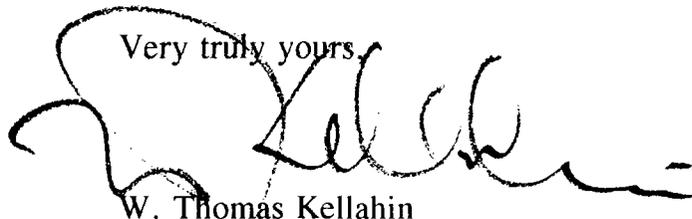
*Re: NMOCD Case 11656  
Application of InterCoast Oil and Gas Company,  
for Compulsory Pooling, Eddy County, New Mexico*

Dear Mr. Catanach:

On behalf of Yates Petroleum Corporation, please find enclosed our proposed order for these cases.

I have left blank the proposed notice and commencement dates in our draft order. I wish to remind you that InterCoast testified its farmout with Kerr-McGee, unless extended, would expire on February 17, 1997. In addition, InterCoast would still earn its farmout interest even if Yates operates the well provided the well is commenced by February 17, 1997. Should you decide in favor of Yates, we would request that you provide us enough time to send the post order election notice to InterCoast and to afford InterCoast a reasonable election period which would expire prior to February 17th.

Very truly yours,



W. Thomas Kellahin

cc: James Bruce, Esq.  
Attorney for InterCoast  
cc: Yates Petroleum Corporation  
Attn: Mecca Mauritsen