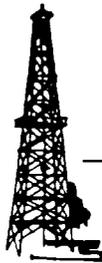


HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

April 27, 2000

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

Poco Loco 8 Fed. Com #1 Working Interest Owners
(See Attached Mailing List)

Re: Poco Loco 8 Federal Com. #1
SW/4 Section 8, T-18S R-29E
Eddy County, New Mexico

Ladies and Gentleman:

On March 30th, 2000, Harvey E. Yates Company (HEYCO) sent letters to all of the potential Working Interest Owners (WIOs) in a W/2 Proration Unit for the above captioned well. The location of the well in our previous letter was 660' FSL & 1980' FWL of Section 8; however, when we staked the well, it was located in Anadarko's pipe yard, so we had to move the location 200' to the north of the original location, giving the new location of the well at 860' FSL & 1980' FWL. The response from the letters sent out on March 30th has been very favorable; therefore, HEYCO has prepared and encloses for your review an operating agreement covering the W/2 of Section 8 along with an AFE for the drilling of the Poco Loco 8 Federal Com #1 well. The Exhibit "A" is labeled "temporary" as we expect to be making some changes and/or corrections to the working interests (if necessary) at a later date.

After you have reviewed the enclosures, and you wish to join in the drilling of the Poco Loco 8 Federal Com. #1, please execute the extra set of signature pages to the operating agreement and one copy of the AFE, where indicated, and return both to me. Also include a list of the well information you wish to receive when the well is drilled. Should you not wish to join, but be willing to farmout your interest, retaining an ORRI of 25%, proportionately reduced to your interest (inclusive of the existing royalty and overriding royalty), without a back-in, please notify me. We would appreciate your decision and the return of the signed AFE and JOA signature pages within thirty (30) day of receipt. If you have any questions concerning the enclosures, please contact me at 505-623-6601.

Yours very truly,


Vernon D. Dyer, CPL #3174
Land Manger

VDD/dlm
Enclosures

PocoLocoAFEJOAWIOs.doc/Land:ESDUPocoLoco

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12486 Exhibit No. 3

Submitted by:

Harvey E. Yates Company

Hearing Date: September 7, 2000

POCO LOCO 8 FED. COM #1 WIOS

SPIRAL, INC.
EXPLORERS PETROLEUM CORPORATION
HARVEY E. YATES COMPANY
P. O. Box 1933
Roswell, New Mexico 88202

MERLE D. BROWN
710 W. 9th
Roswell, New Mexico 88201

MORRIS E. SCHERTZ
P. O. Drawer 2588
Roswell, New Mexico 88202-2588

LATIMER REVOCABLE TRUST
Patsy M. Latimer &
Phoebe L. Spencer, Co-Trustees
P. O. Box 54
Dexter, New Mexico 88230

MARY ELLEN KERSEY
P. O. Box 811
Fredericksburg, Texas 78624

LOUIS DREYFUS NATURAL GAS CORP.
Suite 600
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Oklahoma City, OK 73134

YATES PETROLEUM CORPORATION
MYCO INDUSTRIES
105 South Fourth Street
Artesia, New Mexico 88210

YATES ENERGY CORPORATION
P. O. Box 2323
Roswell, New Mexico 88202

MR. & MRS. PAUL SLAYTON
P. O. Box 2035
Roswell, New Mexico 88202

SHINNERY INVESTMENT COMPANY
906 S. St. Francis Drive, Suite C
Santa Fe, New Mexico 87501

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BRIGHT & COMPANY
2911 Turtle Creek Blvd., Suite 700
Dallas, Texas 75219-6241

ME-TEX OIL & GAS INC.
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Hobbs, New Mexico 88240

JALAPEÑO CORPORATION
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MARY BOLING
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POCO LOCO 8 FED. COM #1 WIOS - Continued

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I & L DEVELOPMENT
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MARATHON OIL COMPANY
Attn: Mgr. Joint Operations
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3000 Oklahoma Tower
210 Park Avenue
Oklahoma City, OK 73102

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MARGARET KERSEY HOLCOMB TRUST
Attn: Judyann Medeiros
P. O. Box 252
Alamogordo, NM 88310-0252

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Midland, Texas 79702

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