

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
Governor

JENNIFER SALISBURY
Cabinet Secretary

1/9/98

YATES PETROLEUM CORPORATION.
105 SOUTH 4TH ST.
ARTESIA, NM:88210

ATTN: RANDY PATTERSON

RE: CHANGE OF OPERATOR , STATE HC NO. 1
SEC: 2, T17S,R27E, EDDY CO. NM.

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
<u>OCD</u> EXHIBIT NO. <u>88</u>
CASE NO. <u>12811</u>

CERTIFIED # P194615128

Dear Randy;

The OCD policy concerning wells that are not in compliance with OCD rules at the time of change of operator is that such wells must be brought into compliance prior to OCD approval of the transfer. Wells are brought into compliance by:

- (1) Returning the well to production,
- (2) T & A the well,
- (3) P & A the well, or
- (4) Providing additional surety that the well will be P & A.

The purpose of this policy is not to impede the transfers of property but to ensure that all wells are properly P & A. It is the current operator's responsibility to ensure that the wells are brought into compliance; however either party may perform such action.

The Form C-104 Change of Operator will not be approved until one of the above conditions has been met. Also, the total package of wells, both in and out of compliance, will not be approved until these conditions are met for all wells. The prior operator's bond will be released when the C-104's are approved. Failure to bring wells into compliance can result in the OCD calling a "show cause" hearing and P&A the well, foreclosing on the operator's bond and taking further legal action against such operator for the additional cost of plugging and any fines assessed.

The OIL CONSERVATION DIVISION DISTRICT II office in Artesia , New Mexico has received a C-104 for change of operator to JOHN A. YATES, JR. OIL OPERATOR . YATES PETROLEUM is the operator of record until the C-104 is approved by this office. Our records show that the State HC No. 1 well has not produced any oil or gas in the last twelve months. The C-104 will not be approved and your bond will not be released for this well until it is brought into compliance.

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Please advise this office by 2/9/98 of your plans to bring this well into compliance. We appreciate your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Tim W. Gum".

TIM W. GUM
OIL CONSERVATION DIVISION
DISTRICT II SUPERVISOR

KATHLEEN A. GARLAND-ACTING DIRECTOR
RAND CARROLL - ATTORNEY
JOHN A. YATES, JR. .

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Yates Petroleum Corp
105 S. 4th St.
Artesia, NM 88210

ATTN: RANDY PATTERSON

4a. Article Number
P 194 615 128

4b. Service Type

Registered Certified

Express Mail Insured

Return Receipt for Merchandise COD

7. Date of Delivery
1-13-98

5. Received By: (Print Name)
Jacqueline Hooten

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
* Jacqueline Hooten

Thank you for using Return Receipt Service.