

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

August 8, 2002

To: See Addressee List Attached

Re: Township 20 South, Range 26 East
Section 25: S2
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation hereby proposes drilling its Louise "AYT" #1 well at a location 1,620' FSL and 630' FEL of Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico. This well will be a 12,000' test of the Morrow formation. The cost to drill this well will be approximately \$1,044,500 dry hole and \$1,660,500 completed. We previously sent you an offer to lease, but since you have not leased, we are now requesting that you participate in the drilling of this well. Yates Petroleum Corporation would still like to lease your mineral interest for a 3 year term, 3/16th royalty lease for a \$100 bonus, should you not want to participate in the drilling of the well.

The surface location of this well will use the same well pad as the Tracy "AXW" State #1 well which was drilled last spring.

In the event you do not wish to lease, but wish to participate in these costs for drilling this well, we would be happy to provide you our standard Operating Agreement for your review and execution and an Authority for Expenditure showing your percentage of the well and how much your expenses would be for drilling this well.

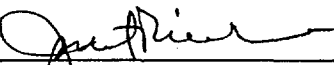
The statewide spacing as set by the New Mexico Oil Conservation Division for this type of well is 320 acres. Your lot contains approximately between the range of .4132 to .5785 acres. If you were to participate in this well your cost to drill and complete would be approximately between \$2,144 to \$3,002 (your interest/320 x \$1,660,500), additionally there would be monthly overhead expenses for the life of the well.

Oil and gas operations can be a substantial economic risk. Actual costs that you would be obligated to may be considerably more than that estimated.

Should you wish to participate please contact us immediately and we will send you the Operating Agreement and Authority for Expenditure for your execution.

Very truly yours,

YATES PETROLEUM CORPORATION



Janet Richardson
Landman

JR/pjb

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12912 Exhibit No. 4
Submitted by:
YATES PETROLEUM CORPORATION
Hearing Date: August 22, 2002

Addressee List

Mack E. and Rose Ann Earnest
P. O. Box 262
Carlsbad, NM 88221-0262

Billy and Helen Sue Alexander
1506 Jefferson Drive
Carlsbad, NM 88220

Ronald C. and Debra Smith
1505 Adams
Carlsbad, NM 88220

Joan Ann Yelvington Ko, Judith Lea
Yelvington Throgmorton, Mary Ellen
Yelvington Hall
1313 Bryan Circle
Carlsbad, NM 88220

Marge Page Revocable Trust
1419 Bryan Circle
Carlsbad, NM 88220

Charles W. and Dorothy A. Crooks
1201 N. Country Club Circle
Carlsbad, NM 88220

Evelyn D. Cooksey
P. O. Box 91
Orla, TX 79770

Joseph and Virginia Di Iaconi Trust
1308 N. Country Club Circle
Carlsbad, NM 88220

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

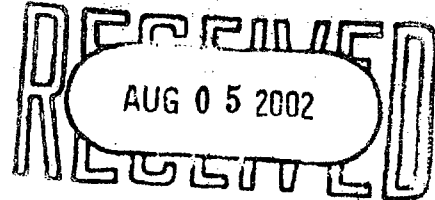
TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

August 1, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED



TO ALL AFFECTED INTEREST OWNERS:

Re: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation have filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of all mineral interests in certain spacing and proration units in the S/2 of Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to Yates Petroleum Corporation's Louise "AYI" Well No. 1 to be drilled at a standard location 1620 feet from the South line and 660 feet from the East line of said Section 25 to test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on August 22, 2002. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing at the Division's Santa Fe Office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
ATTORNEY YATES
PETROLEUM CORPORATION

Enc.

cc: ✓ Janet Richardson
Yates Petroleum Corporation

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL
RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

OIL CONSERVATION DIV.
02 JUL 30 AM 12:56

COMES NOW, YATES PETROLEUM CORPORATION ("Yates"), through their undersigned attorneys, hereby make application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool, the Undesignated Crozier Bluff-Atoka Gas Pool and the Undesignated Northeast Happy Valley-Strawn Pool; and the SE/4 for all formations and/or pools developed on 160-acre spacing, and in support of this application state:

1. Yates is a working interest owners in the acreage to be pooled in said Section 25 and has the right to drill thereon.

2. Yates proposes to dedicate the above-referenced spacing or proration unit to their proposed Louise "AYI" Well No. 1 to be drilled at a

standard location 1630 feet from the South line and 682 feet from the East line to a depth of approximately 12,000 feet to test any and all formations from the surface to the base of the Morrow formation.

3. Yates has sought and been unable to reach a voluntary agreement for development of the S/2 of Section 25 from those owners identified on the Notification List attached to this application as Exhibit A.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Yates to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Petroleum Corporation should be designated the operator of the well to be drilled.

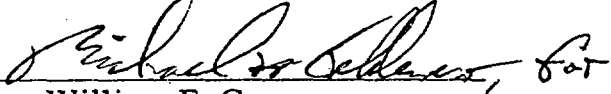
WHEREFORE, Yates Petroleum Corporation request that this application be set for hearing before an Examiner of the Oil Conservation Division on August 22, 2002, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Yates Petroleum Corporation operator of these units and the well to be drilled thereon,
- C. authorizing Yates to recover its costs of drilling, equipping and completing the well,

- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Yates Petroleum Corporation in drilling and completing the well against any working interest owner who does not voluntarily participate therein.

Respectfully submitted,

HOLLAND & HART LLP

By:  for

William F. Carr

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CASE _____: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool, the Undesignated Crozier Bluff-Atoka Gas Pool and the Undesignated Northeast Happy Valley-Strawn Pool; and the SE/4 for all formations and/or pools developed on 160-acre spacing. Said units are to be dedicated to the Louise "AYI" Well No. 1 to be drilled at a standard gas well location 1630 feet from the South line and 682 feet from the East line of said Section 25 to a depth of approximately 12,000 feet to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Yates Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 12 miles southeast of Lakewood, New Mexico.

NOTIFICATION LIST
APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

EXHIBIT A

Janet Agnes Tong Revocable Tr.
Carlsbad National Bank
P. O. Box 1359
Carlsbad, NM 88221-1359

Billy G. Hare and Linda Hare
1209 N. Country Club Circle
Carlsbad, NM 88220

Luther D. Reese and Velma L. Reese
1001 S. Country Club Circle
Carlsbad, NM 88220

William W. Ward and Elva M. Ward
1010 W. Orchard Lane
Carlsbad, NM 88220

~~Scott F. MacDougall and Alberta C.
MacDougall
1911 W. Pierce Street
Carlsbad, NM 88220~~

~~Robert C. Yeager and Caroline J. Yeager
1417 Desert Willow Drive
Carlsbad, NM 88220~~

~~John Douthit Merchant, III and Mary S.
Merchant
1006 W. Orchard Lane
Carlsbad, NM 88220~~

Mack E. Earnest (Rose Ann)
P.O. Box 262
Carlsbad, NM 88221-0262

Earl E. Perkowski & Camilla R. Perkowski
and Jack Perkowski & Myralon Perkowski
1414 Bryan Circle
Carlsbad, NM 88220

Bill G. Taylor and Wanda Jane Taylor
1106 N. Country Club Circle
Carlsbad, NM 88220

William F. Skillern
1108 N. Country Club Circle
Carlsbad, NM 88220

Richard Lucian and Ruby Lillian Weldon
1105 S. Country Club Circle
Carlsbad, NM 88220

Samuel I. and Mildred Jo Beason, Trustees
of the Beason Revocable Trust
1108 W. Orchard Lane
Carlsbad, NM 88220

Pearson Estate
2019 N. Pepper Tree Circle
Carlsbad, NM 88220

~~Rhyllis White
1202 W. Orchard Lane
Carlsbad, NM 88220~~

~~* Margaret Doss Gant Revocable Trust
1204 W. Orchard Lane
Carlsbad, NM 88220~~

Robert S. Callison and Sharyn Callison
1303 S. Country Club Circle
Carlsbad, NM 88220

Chester R. Baggs and Evelyn B. Baggs
2417 Crown Court
Carlsbad, NM 88220

Billy Alexander and Helen Sue Alexander
1506 Jefferson Drive
Carlsbad, NM 88220

Morgan L. Winans and Peggy I. Winans
1304 S. Country Club Circle
Carlsbad, NM 88220

Ronald C. Smith and Debra E. Smith
1505 Adams
Carlsbad, NM 88220

E. Dean Friesen and Ellen A. Friesen
1508 Samoa Court
Carlsbad, NM 88220

Joan Ann Yelvington Ko, Judity Lea
Yelvington Throgmorton, Mary Ellen
Yelvington Hall
1313 Bryan Circle
Carlsbad, NM 88220

Gary L. Perkowski and Dorothy Perkowski
1710 Loretta Lane
Carlsbad, NM 88220

Michael R. Oliver and Suzanne Oliver
1231 W. 3rd Street
Rifle, CO 81650-2501

Joe S. Smith and Diane H. Smith
1523 Burgandy Avenue
Carlsbad, NM 88220

J.R. and Marjorie Mansfield, Trustees of
the J.R. and Marjorie Mansfield Revocable
Trust
1415 W. Orchard Lane
Carlsbad, NM 88220

Jeng-Neng Peter Chen and Shw-Fen Susan
Chen
1417 S. Country Club Circle
Carlsbad, NM 88220

Earlene Gentry & Valarie Gentry
1107 N. Country Club Circle
Carlsbad, NM 88220

Bob L. Chrisman and Gay G. Chrisman
116 Metz Dr., Ruidoso, NM 88345
Carlsbad, NM 88220

~~Berylon Darrell Pace and Shirley M. Pace~~
~~P. O. Box 454~~
Carlsbad, NM 88221-0454

Gary W. McKinley
1311 Bryan Circle
Carlsbad, NM 88220

William D. Lyon and Beryl H. Lyon
1405 N. Country Club Circle
Carlsbad, NM 88220

Gary L. Howe, Dennis G. Howe and
Ronald M. Howe
P. O. Box 2096
Carefree, AZ 85377-2096

Donald L. Seba and Barbara G. Seba
18 Kensington Dr.
Bella Vista, AR 72714-5803

Carole Ann Engler
77 Fordham Circle
Pueblo, CO 81005

Betty Diane Lucado
8515 Buttonwood Cove
Germantown, TN 38139

Richard J. Mattson and Geraldine A.
Mattson
1405 Bryan Circle
Carlsbad, NM 88220

~~Herma D. Highfill~~
1905 W. Pierce St.
Carlsbad, NM 88220

Marge Page and Gordon Page, Trustees
1419 Bryan Circle
Carlsbad, NM 88220

L. W. McDowell and Virginia McDowell
311 North Mesquite St.
Carlsbad, NM 88220

Charles M. Kubala and Marie Kubala
1205 N. Country Club Circle
Carlsbad, NM 88220

Joseph and Virginia Di Iaconi Family
Trust
1308 N. Country Club Circle
Carlsbad, NM 88220

Barrie F. Hood and Maxine S. Hood
1410 N. Country Club Circle
Carlsbad, NM 88220

Jerome Lee Cathey and Naomi Walton
Cathey
1507 Park
Carlsbad, NM 88220

N. Dean Ricer and Will Anne Ricer
1506 Monroe
Carlsbad, NM 88220

Thomas B. Huff, Jr. and Kathleen Huff
1506 Lincoln Drive

Joel London and Jill Bonge Webb
1408 S. Country Club Circle
Carlsbad, NM 88220

Ella M. Jones, Trust
1407 Bryan Circle
Carlsbad, NM 88220

~~Jerry R. Sieberg and Joanna G. Sieberg~~
603 Lakeside Drive
Carlsbad, NM 88220

Jefferson K. Lyon and Janet M. Lyon
P. O. Box 5475
Carlsbad, NM 88221-5475

Charles W. Crooks and Dorothy A. Crooks
1201 N. Country Club Circle
Carlsbad, NM 88220

Evelyn D. Cooksey
P. O. Box 91
Orla, TX 79770

Doris L. Thompson and James Thompson,
Trustees of the Thompson Family Trust
1406 N. Country Club Circle
Carlsbad, NM 88220

~~George T. Dunagan and Constance L.
Dunagan~~
1407 W. Orchard Lane
Carlsbad, NM 88220

*will lease -
don't send him a
letter*

Thomas R. Frachiseur and Elaine C.
Frachiseur
1222 Brighton Ln
Stafford, TX 77477-1633

Sallie Stone McWhiney
1503 Monroe
Carlsbad, NM 88220

Joe P. Harvill and Susan Danette Harvill
1511 Lincoln Drive

Carlsbad, NM 88220

Steven M. Garza and Lindsay F. Garza
1505 Lincoln Drive
Carlsbad, NM 88220

Arthur Lewis Wakeman
423 13th Street NW
Albuquerque, NM 87102

Ruth C. Bivins
414 NE 3rd St
Wagoner, OK 74467

Henry A. Burditt and Ina Faye Burditt
1513 Grant
Carlsbad, NM 88220

Carlsbad, NM 88220

Katheryn E. Smith
1503 Lincoln Drive
Carlsbad, NM 88220

Pamela E. Sutcliffe
1898 Quemado
Santa Fe, NM 87505-5622

Zandon Revocable Trust
Carlsbad National Bank
P. O. Box 1359
Carlsbad, NM 88221-1359

Ramon P. Witt and Karen Elizabeth Witt
2637 Beach Circle
Longmont, CO 80503

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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SECRETARY
DENNIS G. KINSEY
TREASURER

October 9, 2001

Clinton and LaJune Marrs
1515 Cottontop Road
Carlsbad, NM 88220

Re: Township 21 South, Range 26 East, NMPM
Section 25: Block 7, Lot 18
(Loc - 1508 S. Country Club Circle)
Eddy County, NM

Dear Mr. and Mrs. Marrs:

In a recent title check, it has come to our attention that you own the minerals in the captioned acreage. Yates Petroleum Corporation would like to lease your mineral interest. We hereby offer you \$100.00 full bonus consideration for a Three (3) year Paid Up Oil and Gas Lease retaining to you a 3/16 royalty interest.

Enclosed, in duplicate, for your review is a Paid Up Oil and Gas Lease covering your acreage. If satisfactory, please execute the lease before a Notary Public and return one (1) copy to us in the enclosed self addressed stamped envelope. We will then forward to you a check in the amount of \$100.00 as full bonus consideration for same.

Should you have any questions, please feel free to call.

Very truly yours,

YATES PETROLEUM CORPORATION

Tina M. Romo
Land Technician

:tmr
Enclosure(s)

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

215
S. P. YATES
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SECRETARY
DENNIS G. KINSEY
TREASURER

March 26, 2001

Richard L. and Ruby L. Weldon
1105 S. Country Club Circle
Carlsbad, New Mexico 88220

Dear Mr. and Mrs. Weldon:

Between March 12 and March 20, 2001, you were sent, and hopefully you received, an offer to lease from Yates Petroleum Corporation. Since the offers were made we have received numerous phone calls with good questions about the offer and Yates Petroleum Corporation's plans in the area. With this letter I will try to answer your questions and clarify some of the issues.

Our initial search of the Eddy County records has determined that most lot owners in your subdivision acquired the mineral interest when you bought your house. The title search is still in progress, so we may learn that a previous owner reserved the minerals on certain lots, but generally we believe that the lot owners also own minerals.

You have the right to "prospect for" and recover the minerals on your land. All of the owners have the same right on their tracts. Landowners usually will not want to spend the amount of money necessary to drill a well to recover their minerals if they only own 1/2 acre lots. Even large landowners who are not familiar with oil and gas drilling usually prefer not to drill their own wells. Therefore a lease is made with an individual or company, such as Yates, who knows the business and wants to drill to discover and recover the minerals. Our offer to lease from you is based on this premise.

You should have received a form lease from us titled "(Three Year Paid Up Lease) Oil and Gas Lease" showing you, the mineral owner, as Lessor and Yates companies as Lessee. The lease is dated on the 1st line and the 3-year term is provided in paragraph 2. Also, in paragraph 2 you will see the words "... and as long thereafter as oil or gas is produced...". This means if a well is drilled and production obtained, the lease will remain in effect. If no well is drilled or if there is no production, the lease will expire at the end of the 3-year term.

Paragraph 3 of the lease form provides for the fraction of royalty that will be paid to you if production is obtained. This royalty is cost free and liability free to you and is calculated and paid based on the amount of acreage owned by you. The New Mexico Oil Conservation Division rules require a 320-acre area called a "spacing unit" for production of the gas we are seeking. Your royalty is therefore based on your proportion of the 320-acre spacing unit. For example, a typical lot in the subdivision is 200' X 120' which is equal to 0.55 acres. The royalty calculation would then be:

$0.55 \text{ acres} / 320 \text{ acres} \times 3/16 \text{ royalty} = 0.00032227 \text{ RI (your net royalty interest).}$

If a well produces 1.0 MMCFGPD (million cubic feet of gas per day) and that gas is sold for \$3.00 per MCF (thousand cubic feet) the royalty to the owners of the lot would amount to about \$350 per year. This is an example and the actual amount will be larger or smaller depending on the size of lot, amount of production obtained, and the price of gas.

March 26, 2001
Page 2

The question has been asked about the provision in paragraph 6 that no well be drilled within 200 feet of a residence. County ordinance provides that no well in the county be drilled within 300 feet of a residence and City of Carlsbad ordinance increases that to 500 feet within the city limits. The surface location that Yates owns and that is presently being drilled, is not in the city limits but is slightly greater than 500 feet from the nearest residence. A well that would produce your minerals will be drilled either from the same surface site, a site farther north, or a site on the Country Club golf course. Please take note of paragraph 11 in the lease, which means that this lease will not give us the right to come onto your property.

At the county forum last Tuesday night, the question was raised about "forced pooling." The name itself is antagonistic and it is not the desired method of doing business. New Mexico Statutes, however, do provide for Compulsory Pooling based on the notion that each mineral owner has the right to his minerals and that one owner cannot keep another owner from extracting what belongs to him. Since the Oil Conservation Division requires a 320-acre spacing unit for this type of gas production, all the acres within that area will be committed or "pooled" into the spacing unit. The lease provides for such "pooling" but unleased lands can only be combined through the Compulsory Pooling Statute. This involves a hearing before an Oil Conservation Division Examiner in Santa Fe. A potential outcome of such a hearing is that a pooled party would receive 1/8 royalty for a period of time then revert to an ownership of their proportionate part of the costs and proceeds of the well. "Force Pooling" is a last resort effort. It is much preferable, from our perspective, to make a lease agreement with the mineral owners.

The well that is currently drilling will reach total depth in approximately three weeks. After completion procedures and further geological study a decision will be made as to where to locate the next well. If we receive enough leases your minerals may be included in the spacing unit for the next well. We would appreciate your signing the lease previously sent to you, before a Notary Public, and mailing it back to us. Your \$100.00 bonus check will be immediately returned to you.

Should you have any questions about any of this please don't hesitate to call Ms. Tina Romo, at the above number.

Sincerely,

YATES PETROLEUM CORPORATION

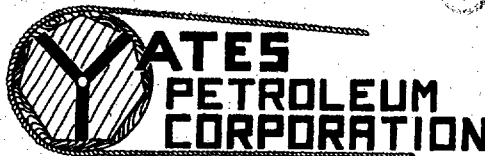


Randy G. Patterson
Land Manager

RGP/mw

cc:
Eddy County Commission- Mr. Steve Massey, Co. Manager
Carlsbad City Council, - Mr. John Tully, City Manager
NMOCD - Lori Wrotenbery, Director
NMOCD - Tim Gum, District Supervisor
Ernest Carroll - Losee, Carson, Haas & Carroll

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DENNIS G. KINSEY
TREASURER

March 12, 2001

Richard L. and Ruby L. Weldon
1105 S. Country Club Circle
Carlsbad, New Mexico 88220

RE: Township 21 South, Range 26 East, NMPM
Section 25: (See lease for complete description)
Eddy, New Mexico

Dear Mr. and Mrs. Weldon:

As you may be aware, Yates Petroleum Corporation is drilling a well nearby. This well is being drilled to test minerals owned by the State of New Mexico. Once this well is completed, Yates hopes to be able to drill a well on a spacing unit which would include mineral interest you acquired with your lot.

In order to establish a complete spacing unit and provide a royalty to you from proceeds of the well, Yates Petroleum Corporation would like to lease your mineral interest in Section 25, Township 21 South, Range 26 East, Eddy County, New Mexico. We hereby offer you \$100.00 full bonus consideration for a 3 year Paid Up Oil and Gas Lease retaining to you a 3/16 royalty interest. Inasmuch as you live in a residential neighborhood we have included a No Surface Occupancy clause in your lease and the other leases in the neighborhood, meaning that no well may be drilled on your surface.

Enclosed, in duplicate, for your review is a Paid Up Oil and Gas Lease covering your acreage. If satisfactory, please execute the lease before a Notary Public and return one (1) copy to us in the enclosed self addressed stamped envelope. We will then forward to you a check in the amount of \$100.00 as full bonus consideration for same.

Should you have any questions, please feel free to call.

Very truly yours,

YATES PETROLEUM CORPORATION

Tina M. Romo
Land Technician

:tmr
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