



VIA FAX (915) 687-7666

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

Attention: Sam H. Martin

January 3, 1991

BEFORE SENATOR STOGNER
OIL CONSERVATION DIVISION
YEC ENCL NO 4
CASE NO. 16281

Re: Thornbush Prospect
All of Section 1-18S-31E
Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy County, New Mexico

Gentlemen:

Pursuant to our telephone conversation this date, please be advised that Yates Energy would accept the farmout terms proposed by Chevron, with Chevron retaining a 12.5% ORI before payout delivering a 75% NRI lease and converting to a 17.5% ORI after payout delivering a 70% NRI lease. Yates Energy would request the following lands to be covered by said farmout:

Township 18 South, Range 31 East, N.M.P.M.

- Section 1: S/2 (covering all depths)
Section 12: SW/4NW/4, NW/4NW/4, NE/4NW/4,
NW/4NE/4, NE/4NE/4, SE/4NE/4
(covering rights from surface to the
Base of the Delaware Formation)
Section 12: SE/4NW/4, SW/4NE/4
(covering rights from surface to 3595')

Additional terms would include:

1. Drill to earn provision
2. Rights earned to 100 feet below total depth drilled

3. 180 days between wells, with time to be cumulative.

In the event Chevron agrees to said farmout terms, a formal agreement will be prepared for execution. Your prompt attention and assistance in this request is appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

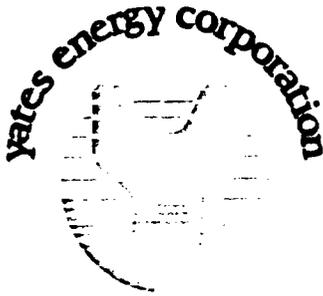
SRH/jj

AGREED TO AND ACCEPTED THIS _____ day of January, 1991

CHEVRON USA, INC.

By: _____

Title: _____



February 26, 1991

Spiral, Inc.
P. O. Box 1933
Roswell, New Mexico 88202-1933

Explorers Petroleum Corporation
P. O. Box 1933
Roswell, New Mexico 88202-1933

HEYCO Employees, Ltd.
P. O. Box 1933
Roswell, New Mexico 88202-1933

Re: East Prickly Pear Federal #1
SE/4NE/4 Section 12-18S-31E
Eddy County, NM

Gentlemen:

Yates Energy Corporation herein proposes to drill the captioned well at a legal location to a depth of 6,100 feet to test the Grayburg/Delaware Formations. Enclosed please find two forms of our AFE, and a copy of the Geologic Brief prepared by Bill Baker, Jr., Chief Geologist.

As you are aware, the Prickly Pear Federal #1 is located in the NE/4NW/4 of said Section 12 and was drilled under Compulsory Pooling No. R-9214 with your interest in a non-consent position. The Prickly Pear Federal #2 is a pending location in the SW4NW/4, we are currently waiting for your response under Compulsory Pooling Order No. R-9439.

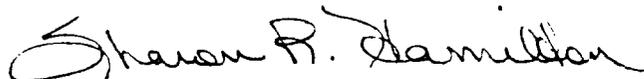
Yates Energy Corporation originally submitted the Prickly Pear Prospect Operating Agreement dated March 9, 1990 for your execution. We again submit said operating agreement for your acceptance, Exhibit "A" will be amended to reflect separate contract areas upon your execution.

Spiral, Inc.
Explorers Petroleum Corporation
HEYCO Employees, Ltd.
February 26, 1991
Page 2

Should you elect to participate in the drilling of the captioned well, please sign, date and return one copy of the enclosed AFE to the undersigned within 30 days from receipt. In the event you do not wish to participate in the drilling of said well, we would appreciate the opportunity to discuss this matter with you or negotiate a possible farmout. Therefore, your prompt attention in this matter is appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj
Enclosures



February 26, 1991

Chevron U.S.A., Inc.
P. O. Box 1150
Midland, Texas 79702

Attention: James E. Baca

Re: East Prickly Pear Federal #1
SE/4NE/4 Section 12-18S-31E
Eddy County, NM

Gentlemen:

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James E. Baca
Chevron U.S.A., Inc.
February 26, 1991
Page 2

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Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj
Enclosures



February 26, 1991

Mr. W. T. Wynn
1603 West Dengar
Midland, Texas 79705

Re: East Prickly Pear Federal #1
SE/4NE/4 Section 12-18S-31E
Eddy County, NM

Dear Mr. Wynn:

Yates Energy Corporation herein proposes to drill the captioned well at a legal location to a depth of 6,100 feet to test the Grayburg/Delaware Formations. Enclosed please find two forms of our AFE, and a copy of the Geologic Brief prepared by Bill Baker, Jr., Chief Geologist.

As you are aware, the Prickly Pear Federal #1 is located in the NE/4NW/4 of said Section 12 and was drilled under Compulsory Pooling No. R-9214 with your interest in a non-consent position. The Prickly Pear Federal #2 is a pending location in the SW4NW/4, we are currently waiting for your response under Compulsory Pooling Order No. R-9439.

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Mr. W. T. Wynn
February 26, 1991
Page 2

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Yours very truly,

YATES ENERGY CORPORATION

A handwritten signature in cursive script, appearing to read "Sharon R. Hamilton".

Sharon R. Hamilton
Landman

SRH/jj
Enclosures



February 26, 1991

Shari A. Darr
Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88202-1933

Re: W. T. Wynn

Dear Shari:

Mr. Wynn has informed us that HEYCO has purchased all of his interest in all HEYCO properties. The last notice I sent him, concerning his participation in the Prickly Pear Federal #2 under compulsory pooling, prompted a telephone call wherein he indicated that he no longer owned an interest and he just throws the paperwork away.

As we have not received any formal notice of this transaction, I am enclosing the well proposal for the East Prickly Pear Federal #1 attributable to Mr. Wynn's interest for your review. Please advise if HEYCO has assumed this interest, or if I need to go ahead and submit to Mr. Wynn.

Your assistance is appreciated.

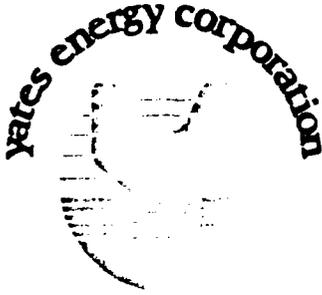
Yours very truly,

YATES ENERGY CORPORATION

A handwritten signature in cursive script, appearing to read "Sharon R. Hamilton".

Sharon R. Hamilton
Landman

SRH/jj
Enclosures



February 27, 1991

VIA FAX 915/687-7666

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79705

Attention: Mr. James E. Baca

Re: Working Interest Unit
Thornbush Federal
S/2 Section 1-18S-31E
Prickly Pear Federal
N/2 Section 12-18S-31E
Eddy County, New Mexico

Gentlemen:

We are in receipt of your letter dated January 21, 1991 and hereby request the following revisions to your proposal. To simplify this matter, we will respond to the specific items of your letter.

1. A) Delete the Thornbush Federal #1 well, SE/4SW/4 of Section 1, substituting the East Prickly Pear Federal #1 well, SE/4NE/4 of Section 12.

Note: We prefer to delete the Thornbush Federal #1 well as it has been on production for some time. For your information, the well is presently producing water after a recent frac job.

Request option to earn to base of Bone Spring formation in the Thornbush Federal #3 well, NE/4SW/4 of Section 1.

1. B) Initial earning well would be the Prickly Pear Federal #2 well, SW/4NW/4 of Section 12.
1. D) Chevron agrees to deliver a 73% net revenue interest lease on all acreage.

2. In Section 1, right to earn surface to base of Bone Spring formation.
3. This issue has been resolved with the other owners.
4. Proposed JOA to contain a 200%/400% non-consent penalty provision.
5. Timing of well proposals and drilling operations will not apply to the five locations under farmout.

Farmout to third party, after election of consenting drilling parties to not share in such farmout, will be subject to approval by Operator, said approval will not be unreasonably withheld.

General terms of farmout would be for Chevron to deliver a 73% net revenue interest.

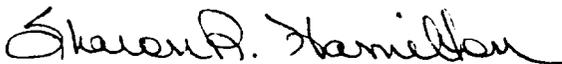
6. If agreement is reached, Yates Energy would dismiss the interest of Chevron under the current force pool orders and pending applications. However, as other WI owners are involved, said cases can not be dismissed entirely.
7. Deleted.
8. Yates Energy does not feel that WI owner approval is necessary, but has agreed under provision 1. F) to offer all drilling parties under such acreage their prorata share.

All other terms and provisions stated in your February 21, 1991 proposal are acceptable as stated.

If the herein stated revisions are acceptable to you, please indicate by executing in the space provided below. Should you wish to discuss this matter, please contact the undersigned at 505/623-4935. Your assistance and consideration in this matter is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

AGREED AND ACCEPTED THIS ____ day of _____, 1991.

CHEVRON U.S.A. INC.

By: _____
Title:



April 30, 1991

HAND DELIVERED

Explorers Petroleum Corporation
Spiral, Inc.
HEYCO Employees, Ltd.
P. O. Box 1933
Roswell, New Mexico 88202-1933

Attention: Shari A. Darr

Re: East Prickly Pear Federal #1
SE/4NE/4 Section 12-18S-31E
Eddy County, NM

Gentlemen:

Pursuant to our previous conversations concerning the drilling of the captioned well, please be advised that after examination of the Meridian Comanche Federal #1 well data we have revised our projected total depth to 4,600 feet. Enclosed for your review please find our revised AFE.

We hope that this revised depth will satisfy the concerns you had expressed in drilling this well. Should you wish to discuss this well proposal further, please contact our office.

As we are scheduled on the May 2nd OCD docket hearing for compulsory pooling, your immediate response to our well proposal would be greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj
Enclosure



April 30, 1991

VIA FAX (505)983-2142

Colkelan Corporation
James H. Yates, Inc.
906 South St. Francis Drive, Suite C
Santa Fe, New Mexico 87501

Re: East Prickly Pear Federal #1
SE/4NE/4 Section 12-18S-31E
Eddy County, NM

Gentlemen:

It is our understanding that you have acquired a portion of the interest owned by W. T. Wynn in the captioned location. As you know, we proposed drilling this well on February 26, 1991 as a 6,100' Grayburg/Delaware test.

Please be advised that after examination of the Meridian Comanche Federal #1 well data, we have revised our projected total depth to 4,600 feet. Enclosed for your review please find our revised AFE. Should you have any questions concerning this well proposal, please advise.

As you are aware, we are scheduled for the May 2nd OCD docket hearing for compulsory pooling of this location, therefore your immediate attention is appreciated.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj
Enclosure



April 30, 1991

VIA FAX (915)687-7666

Chevron U.S.A., Inc.
P. O. Box 1150
Midland, Texas 79702

Attention: James E. Baca

Re: East Prickly Pear Federal #1
SE/4NE/4 Section 12-18S-31E
Eddy County, NM

Gentlemen:

Please be advised that after examination of the Meridian Comanche Federal #1 well data, we have revised our projected total depth to 4,600 feet in the drilling of the captioned well. Enclosed for your review please find our revised AFE. Should you have any questions concerning this well proposal, please advise.

As you are aware, we are scheduled for the May 2nd OCD docket hearing for compulsory pooling of this location, therefore your immediate response is appreciated.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

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Enclosure