

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
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S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 23, 1995

To: Working Interest Owners
Address List Attached

Re: Ross EG Com. #14
Township 19 South, Range 25 East
Section 21: NE/4
Eddy County, New Mexico

Gentlemen:

Pursuant to Nearburg's request and our concerns about the Alto AOL Com. #1 location being between two SWD wells, Yates Petroleum Corporation is proposing the Ross EG Com. #14 at a location of 660' FNL and 1980' FEL of Section 21-T19S-R25E to test the Canyon formation. Enclosed are two (2) copies of an Authority for Expenditure for your review.

We will be furnishing you in the near future with a revised page 4 and Exhibit A to the August 23, 1994 Operating Agreement to reflect the new proposal.

If the AFE is acceptable and you would like to participate in the drilling of this well, please sign and return one (1) executed copy of the AFE to our office.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Mecca Mauritsen
Mecca Mauritsen
Landman

MM:dke
enclosure(s)

YATES PETROLEUM CORP.
BEFORE EXAMINER Catanach
NMOC CASE NOS. 11263/11265
DATE: 07/27/95
EXHIBIT NO. 3