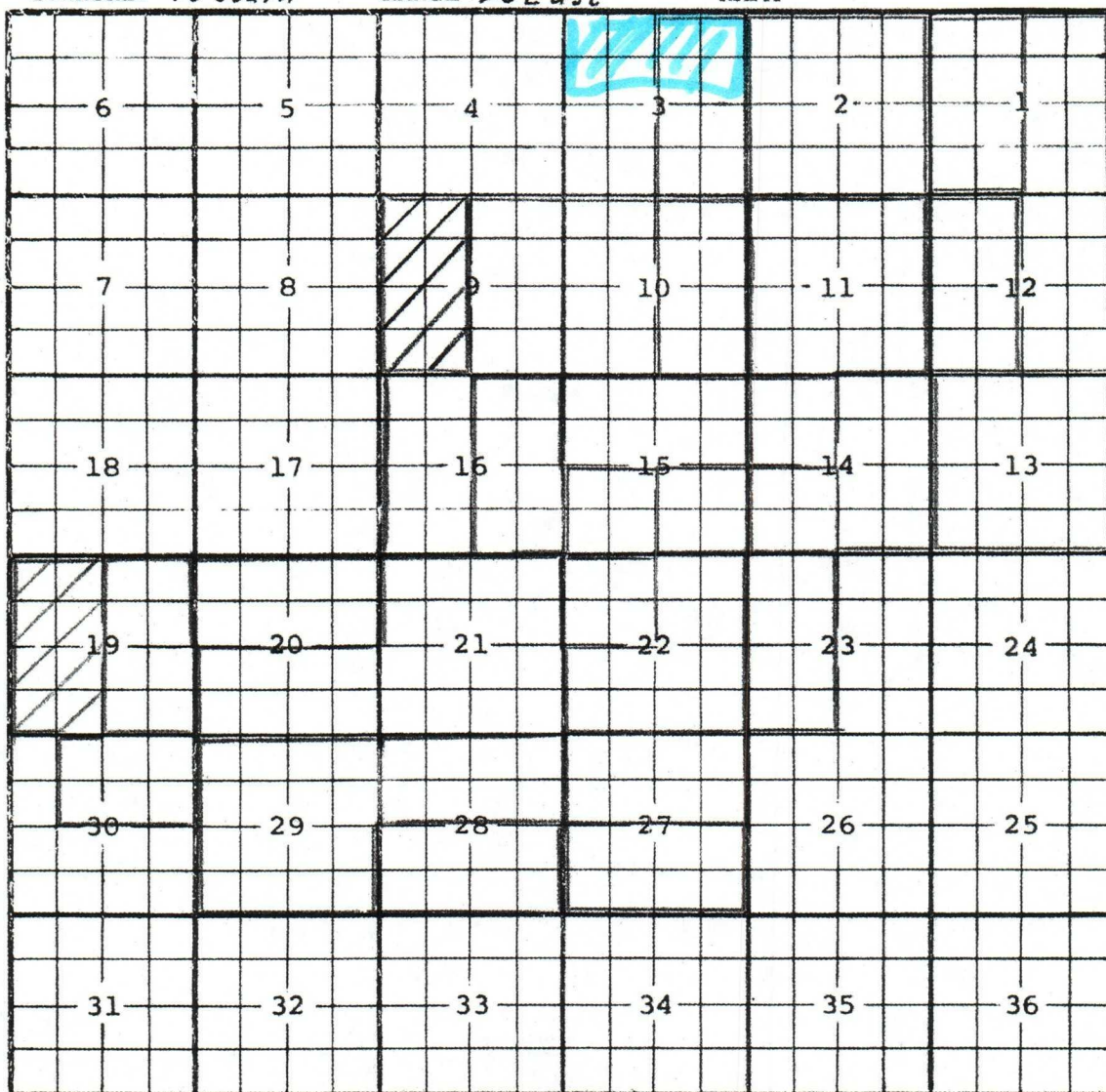


COUNTY EddyPOOL Atoka - Pennsylvanian GasTOWNSHIP 18 SouthRANGE 26 East

NMPM

Description: SW 1/4 Sec. 14 (R-1171, 5-5-58)

Ext: SE 1/4 Sec. 15 (R-1341, 3-1-59) - NE 1/4 & S 1/2 Sec. 22 (R-1572, 2-1-60) - N 1/2 Sec. 27 (R-1633, 4-1-60)
- N 1/2 Sec. 28; All Sec. 29 (R-1417-A, 5-25-60) - W 1/2 Sec. 23 (R-1840, 1-1-61) - S 1/2 Sec. 20;
All Sec. 21 (R-1878, 3-1-61) - NW 1/4 Sec. 22 (R-2101, 1-1-61) - NW 1/4 Sec. 14; SW 1/4 Sec. 15;
S 1/2 Sec. 28 (R-2201, 4-1-62) - E 1/2 Sec. 19 (R-2241, 6-1-62) - NE 1/4 & E 1/2 NW 1/4 Sec. 30 (R-2552, 9-1-63)
- E 1/2 Sec. 16 (R-2781, 11-1-64) - N 1/2 Sec. 15 (R-3195, 3-1-67) - N 1/2 Sec. 20 (R-3342, 12-1-67)
- W 1/2 Sec. 19 (R-4080, 1-1-71) Deletion: W 1/2 Sec. 19 (R-4162, 7-7-71)
Ext: All Sec. 11 (R-4304, 6-1-77) Ext: W 1/2 Sec. 12 (R-4782, 6-1-72)
Ext: E 1/2 Sec. 10 (R-4861, 11-1-74)
Ext: E 1/2 Sec. 1, E 1/2 Sec. 12 (R-4969, 4-1-75) Ext: All Sec. 2 (R-5015, 6-1-75)
Ext: W 1/2 Sec. 1, E 1/2 Sec. 3 (R-5124, 12-1-75) Ext: All Sec. 13 (R-5204, 5-1-76)
Ext: E 1/2 Sec. 14 (R-5361, 3-1-77) Ext: S 1/2 Sec. 27 (R-6169, 11-1-79)
Ext: All Sec. 9, W 1/2 Sec. 10 (R-6576, 2-10-81) Ext: W 1/2 Sec. 16 (R-6912, 3-5-82)
CONTRACT: W 1/2 SEC 9 (R-9133, 3-13-90)

Sec : 03 Twp : 18S Rng : 26E Section Type : NORMAL

4 40.30 Fee owned	3 40.25 Fee owned	2 40.21 Fee owned	1 40.16 Fee owned
E 40.00 Fee owned	F 40.00 Fee owned	G 40.00 Fee owned	H 40.00 Fee owned
A			
L 40.00 Fee owned	K 40.00 Fee owned	J 40.00 Fee owned	I 40.00 Fee owned
M 40.00 Fee owned	N 40.00 Fee owned	O 40.00 Fee owned	P 40.00 Fee owned
			A

Stogner, Michael

From: Arrant, Bryan
Sent: Tuesday, March 16, 2004 11:40 AM
To: Stogner, Michael
Subject: FW: Preston/Yates Petroleum-same location

-----Original Message-----

From: Arrant, Bryan
Sent: Monday, March 15, 2004 3:50 PM
To: Brooks, David K
Subject: RE: Preston/Yates Petroleum-same location

Thanks,
I'll draft a letter tomorrow.

-----Original Message-----

From: Brooks, David K
Sent: Monday, March 15, 2004 3:46 PM
To: Arrant, Bryan
Subject: RE: Preston/Yates Petroleum-same location

Bryan

I believe this is the correct thing to do unless you have some specific information regarding title.

DB

-----Original Message-----

From: Arrant, Bryan
Sent: Monday, March 15, 2004 3:37 PM
To: Brooks, David K
Cc: Gum, Tim
Subject: Preston/Yates Petroleum-same location

David,

We have received APDs from Yates Petroleum Corporation and Preston Exploration, LLC at the same location: *Section 29, T-18-S R-26-E, 1200' FNL & 1800' FEL, Eddy County, New Mexico.*

Yates Petroleum submitted on *OCD On-Line* their drilling application on March 12th, 2004.

The drilling application from Preston Exploration, LLC has been received by our office today, by mail, on March 15th, 2004.

Both wells regardless of who are the first ones to submit cannot have their APD approved at this time.

This is due to the fact that the well locations lie within the pool boundaries of the Atoka; Pennsylvanian Gas Pool which has special spacing requirements. Neither APD conforms to the special pool rules of the Atoka; Pennsylvanian Gas Pool.

I intend to deny, by letter, Preston's drilling application due to the fact that:

- 1) Yates Petroleum has submitted an APD at the same location prior to heir's.
- 2) The application received does not conform to the special rules of the Atoka; Pennsylvanian Gas Pool and would need to be set for hearing an order to have a well drilled at this location.

I will send another letter to Yates Petroleum, although it is not the OCD's responsibility, that their application cannot be approved until they meet the conditions of item (2) above.
Both operators will receive each other's letter.

Please review and call or send me your comments.

Thanks,
Bryan

Stogner, Michael

From: Arrant, Bryan
Sent: Tuesday, March 16, 2004 11:39 AM
To: Brooks, David K
Cc: Stogner, Michael
Subject: RE: Application to drill

No, That is not correct at this time as I wanted to do more research into the Atoka; Pennsylvanian Gas Pool rules. I did not wish to note that in my letter before I referenced something that possibly would not be correct. R.W. Byram's does not show in my book that part of R-8170 was suspended for location requirements. R-Order 8170 has about 25 amendments. The Yates e-mail did not go out yet as the e-mail I had for them is incorrect.
Bryan

-----Original Message-----

From: Brooks, David K
Sent: Tuesday, March 16, 2004 10:29 AM
To: Arrant, Bryan
Subject: RE: Application to drill

I understand you have also notified Yates that their APD will be rejected due to unorthodox location, and that you will copy Preston on that notification. Is that correct?

DB

-----Original Message-----

From: Arrant, Bryan
Sent: Tuesday, March 16, 2004 9:21 AM
To: 'Sandra@rkford.com'
Cc: Leach, Carol; Gum, Tim; 'Landepartment@ypc.nm.com'; Brooks, David K
Subject: Application to drill

Stogner, Michael

From: Arrant, Bryan
Sent: Tuesday, March 16, 2004 11:44 AM
To: Stogner, Michael
Subject: Letterhead1.doc



Letterhead1.doc



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

16 March 2004

Preston Exploration, LLC
P.O. Box 7520
The Woodlands, TX 77387
Attn: Sandra Nobles or To Whom It May Concern
RE:

- **Preston Exploration's application to drill the Uncle Buck "3" # 1, located in Section 3 of T-18-S R-26-E of Unit C, 1200' FNL & 1800' FEL, Eddy Co., New Mexico, NMPM**

Dear Ms. Nobles or To Whom It May Concern,

In regards to the above, the New Mexico Oil Conservation Division (NMOCD) has received your application to drill (APD) on the well noted above. The NMOCD cannot approve your application due to the fact that another operator, Yates Petroleum Corporation, has already submitted an APD at the exact same location prior to the NMOCD receiving yours.

It has been the policy of the NMOCD to accept for review and approval the first application received at the District level.

I am therefore, returning your application as unapproved.

Please call me if you have any questions or concerns regarding this matter.

Yours truly,

Bryan G. Arrant
PES

E-Mail: Carol S. Leach, Acting Division Director-Santa Fe
Tim Gum, District Supervisor-Artesia
David Brooks, Legal Council-Santa Fe
Chuck Moran, Chief Land Man with Yates Petroleum-Artesia
Sandra Nobles, Consultant in Midland for R.K. Ford & Associates

Attachments of APDs from both operators to be mailed.