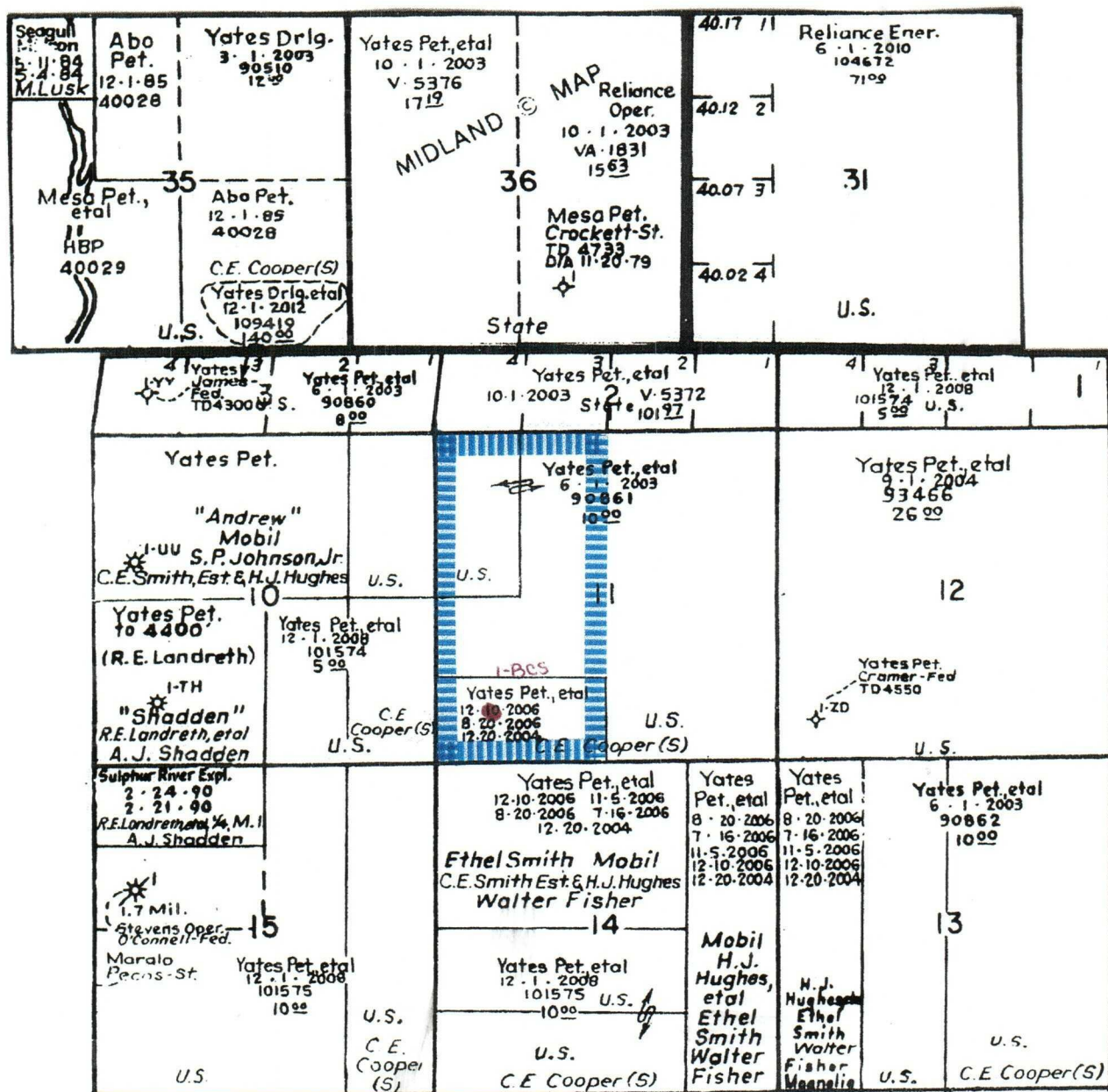
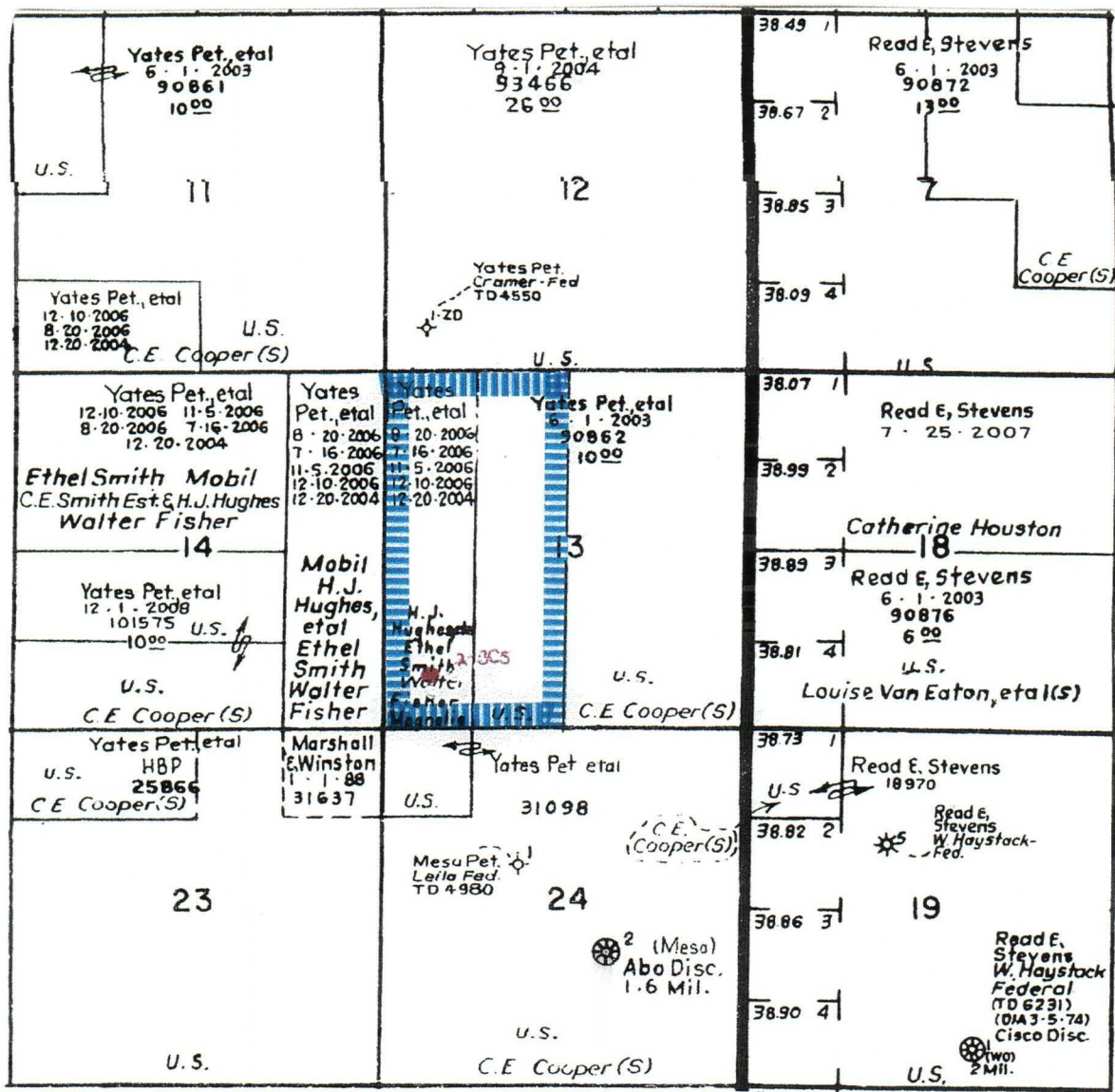


Yates Petroleum Corporation  
Sterne BCS Com. #1  
660' FSL & 660' FWL  
Section 11-T6S-R26E  
Chaves County, New Mexico



Yates Petroleum Corporation  
Sterne BCS Com. #2  
660' FSL & 660' FWL  
Section 13-T6S-R26E  
Chaves County, New Mexico



**Sterne BCS Com #1**  
**Township 6 South, Range 26 East, NMPM**  
**Section 11: W/2**  
**Chaves County, New Mexico**  
**320 acres, more or less**

Unleased Mineral Owner: Mobil Producing Texas & New Mexico, Inc.  
Description of Lands: S/2SW/4 of Sec. 11-T6S-R26E  
Net Acres: 40.00  
Percentage in Spacing Unit: 12.50%

**Sterne BCS Com #1**  
**Township 6 South, Range 26 East, NMPM**  
**Section 11: SW/4**  
**Chaves County, New Mexico**  
**160 acres, more or less**

Unleased Mineral Owner: Mobil Producing Texas & New Mexico, Inc.  
Description of Lands: S/2SW/4 of Sec. 11-T6S-R26E  
Net Acres: 40.00  
Percentage in Spacing Unit: 25.00%

**Sterne BCS Com #2**  
**Township 6 South, Range 26 East, NMPM**  
**Section 13: W/2**

**Chaves County, New Mexico**  
**320 acres, more or less**

Unleased Mineral Owner:	Mobil Producing Texas & New Mexico, Inc.
Description of Lands:	W/2W/2 of Sec. 13-T6S-R26E
Net Acres:	80.00
Percentage in Spacing Unit:	25.00%

Unleased Mineral Owner:	Lacy Shortridge Revocable Living Trust
Description of Lands:	W/2W/2 of Sec. 13-T6S-R26E
Net Acres:	10.00
Percentage in Spacing Unit:	3.125%

Unleased Mineral Owner:	Richard H. and Syble W. Corn Trust
Description of Lands:	W/2W/2 of Sec. 13-T6S-R26E
Net Acres:	10.00
Percentage in Spacing Unit:	3.125%

**Sterne BCS Com #2**  
**Township 6 South, Range 26 East, NMPM**  
**Section 13: SW/4**

**Chaves County, New Mexico**  
**160 acres, more or less**

Unleased Mineral Owner:	Mobil Producing Texas & New Mexico, Inc.
Description of Lands:	W/2SW/4 of Sec. 13-T6S-R26E
Net Acres:	40.00
Percentage in Spacing Unit:	25.00%

Unleased Mineral Owner:	Lacy Shortridge Revocable Living Trust
Description of Lands:	W/2SW/4 of Sec. 13-T6S-R26E
Net Acres:	5.00
Percentage in Spacing Unit:	3.125%

Unleased Mineral Owner:	Richard H. and Syble W. Corn Trust
Description of Lands:	W/2SW/4 of Sec. 13-T6S-R26E
Net Acres:	5.00
Percentage in Spacing Unit:	3.125%

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

March 13, 2003

Mr. Paul Keffer  
ExxonMobil and Production Company  
P.O. Box 4697  
Houston, TX 77210-4697

**Certified Mail**  
**Return Receipt Requested**

Re: Township 6 South, Range 26 East, NMPM  
Section 11: S/2SW/4  
Section 13: W/2W/2  
Chaves County, New Mexico

Dear Mr. Keffer:


Pursuant to our conversations on March 12, 2003, Yates Petroleum Corporation is interested in leasing the minerals from Mobil Producing Texas and New Mexico Company, Inc. In our conversation on the phone, you requested that I provide information with regards to our expiring lease acreage, which will expire at the end of May, 2003. Currently, we are planning to drill a well in each section to the PreCambrian formation at a depth of approximately 5,800'. Additionally, in our phone conversation, you suggested the proposed terms of a two year lease, \$150 per net mineral acre bonus and delivery of a 75% net revenue interest.

Upon reviewing our files and determining what we have done in the immediate area, Yates Petroleum Corporation hereby makes the following offer to lease your minerals. We offer to lease your minerals for a 5 year paid up oil and gas lease, 3/16 royalty reservation and \$50 per net acre bonus consideration on the lease form attached hereto as Exhibit A. This offer is subject to title acceptable to Yates Petroleum Corporation and will expire on March 28, 2003.

Lastly, due to the lease expiration problem that I have, I will need to pursue other means if we do not have a signed lease. If you have any questions, please give me a call.

Very truly yours,

**YATES PETROLEUM CORPORATION**

  
Chuck Moran  
Landman

CEM:hp

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13055/13056 Exhibit No. 3  
Submitted by:  
YATES PETROLEUM CORPORATION  
Hearing Date: April 24, 2003

2002 0860 0006 7052 4920

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

**OFFICIAL USE**

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$</b>

ARTESIA NM 88210  
 MAR 19 2003  
 USPS

Sent To Mr. Paul Keffer  
ExxonMobil & Production Company  
 Street, Apt. No.,  
 or PO Box No. P.O. Box 4697  
 City, State, ZIP+4 Houston, TX 77210-4697

PS Form 3800, April 2002 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Paul Keffer  
 ExxonMobil & Production Company  
 P.O. Box 4697  
 Houston, TX 77210-4697

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature GEE ☐ Agent  
☒ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2002 0860 0006 7052 4920

Offer  
 6S-26E-11,13

CUSTOMER'S DRAFT

Courtesy of

THE FIRST NATIONAL BANK

P.O. BOX AA

ARTESIA, NEW MEXICO 88210

**Thirty (30) Banking Days From Sight Subject  
To Approval Of Title With Lease Attached**

ARTESIA, NEW MEXICO

March 13, 2003

**PAY TO THE**

**ORDER OF**

ExxonMobil and Production Company f/k/a

\$6,000.00

Mobil Producing Texas and New Mexico, Inc.

Six Thousand Dollars & 00/100-----

**DOLLARS**

VALUE RECEIVED AND CHARGE TO ACCOUNT OF

WITH EXCHANGE

TO: First National Bank of Artesia  
Artesia, New Mexico 88210  
Acct. of Yates Petroleum Corporation

**YATES PETROLEUM CORPORATION**

  
\_\_\_\_\_  
Chuck Moran, Landman

Endorsement of this draft constitutes acceptance of the face amount thereof as full bonus consideration for the five year paid up oil & gas lease paid to ExxonMobil and Production Company, f/k/a Mobil Producing Texas and New Mexico, Inc., by Yates Petroleum Corporation, et al, covering:

Township 6 South, Range 26 East, NMPM

Section 11: S/2SW/4

Section 13: W/2W/2

Chaves County, New Mexico

Containing 240.00 gross/ 120.00 net acres,  
more or less

Payment \$6000.00

Bonus @ \$50.00 per net acre = \$6000.00

**EXXONMOBIL AND PRODUCTION COMPANY**  
**f/k/a MOBIL PRODUCING TEXAS AND NEW**  
**MEXICO, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Tax ID# \_\_\_\_\_



**EXXONMOBIL AND PRODUCTION COMPANY f/k/a  
MOBIL PRODUCING TEXAS AND NEW MEXICO, INC.**

**Yates Petroleum Corporation has adopted a procedure of no longer recording Social Security Numbers or Tax Identification Numbers on our Leases. However, this information is still necessary in order to pay bonuses. Therefore, please sign below and fill in your SSN/Tax ID next to your signature and return this page with the executed Lease. This information will be placed in our files and not recorded in the county records.**

**ExxonMobil and Production Company  
Mobil Producing Texas and New Mexico, Inc.**

**By: \_\_\_\_\_  
Its: \_\_\_\_\_**

**\_\_\_\_\_  
SSN/Tax ID#**

THIS AGREEMENT made this 13<sup>th</sup> day of November, 2002, between **EXXONMOBIL AND PRODUCTION COMPANY f/k/a MOBIL PRODUCING TEXAS AND NEW MEXICO, INC.**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%**, as Lessee, WITNESSETH:

1. Lessors in consideration of Ten and No/100 Dollars (\$ 10.00 ) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Chaves County, New Mexico to-wit:

Township 6 South, Range 26 East, NMPM  
Section 11: S/2SW/4  
Section 13: W/2W/2  
Containing 240.00 acres, more or less

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil and gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on acreage basis-that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the county in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil and gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith. Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event by required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

**EXXONMOBIL AND PRODUCTION COMPANY f/k/a**  
**MOBIL PRODUCING TEXAS AND NEW MEXICO, INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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

March 31, 2003

Mr. Paul Keffer  
ExxonMobil and Production Company  
P.O. Box 4697  
Houston, TX 77210-4697

**Via Certified Mail**  
**Return Receipt Requested**

Re: Sterne BCS Com #1  
Township 6 South, Range 26 East, NMPM  
Section 11: W/2  
Chaves County, New Mexico

Dear Mr. Keffer:

Yates Petroleum Corporation is proposing to drill the captioned well and invites you to participate in the drilling of this well. I enclose for your review and execution a copy of the Joint Operating Agreement and Authority for Expenditure to drill the well. The estimated completed well cost is \$685,700.00 and the proposed Operating Agreement is the normal agreement used by Yates Petroleum Corporation. If this meets with your approval, please execute and return the signature page to the Operating Agreement and one signed copy of the AFE back to the undersigned. You may retain the other copy of the AFE and the full copy of the Operating Agreement for your records.

Due to the timing of operations, we request your prompt attention in this matter. If you have any questions, please give me a call.

Very truly yours,

**YATES PETROLEUM CORPORATION**

Chuck Moran  
Landman

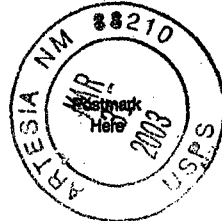
CEM:hp  
Enclosure

7002 0860 0006 7052 6245

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

**OFFICIAL USE**

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$</b>



**Sent To** Mr. Paul Keffer  
 ExxonMobil and Production Company  
 Street, Apt. No., or PO Box No. **P.O. Box 4697**  
 City, State, **Houston, TX 77210-4697**

PS Form 3800, April 2002 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Mr. Paul Keffer  
 ExxonMobil and Production Company  
 P.O. Box 4697  
 Houston, TX 77210-4697**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature **GEE** ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery **APR 03 2003**

D. Is delivery address different from item 1? ☐ Yes ☐ No  
 If YES, enter delivery address below:

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

**7002 0860 0006 7052 6245**

**Sterne # 2**

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  
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TREASURER

March 31, 2003

Mr. Paul Keffer  
ExxonMobil and Production Company  
P.O. Box 4697  
Houston, TX 77210-4697

**Via Certified Mail**  
**Return Receipt Requested**

Re: Sterne BCS Com #2  
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Section 13: W/2  
Chaves County, New Mexico


Dear Mr. Keffer:

Yates Petroleum Corporation is proposing to drill the captioned well and invites you to participate in the drilling of this well. I enclose for your review and execution a copy of the Joint Operating Agreement and Authority for Expenditure to drill the well. The estimated completed well cost is \$700,400.00 and the proposed Operating Agreement is the normal agreement used by Yates Petroleum Corporation. If this meets with your approval, please execute and return the signature page to the Operating Agreement and one signed copy of the AFE back to the undersigned. You may retain the other copy of the AFE and the full copy of the Operating Agreement for your records.

Due to the timing of operations, we request your prompt attention in this matter. If you have any questions, please give me a call.

Very truly yours,

**YATES PETROLEUM CORPORATION**

  
Chuck Moran  
Landman

CEM:hp  
Enclosure

7002 0860 0006 7052 6252

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

**OFFICIAL USE**

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

**Sent To**  
**ExxonMobil and Production Company**  
**Attn: Paul Keffer**  
**P.O. Box 4697**  
**Houston, TX 77210-4697**

PS Form 3800, April 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature  <b>X GEE</b> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <b>APR 03 2003</b> C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No          If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p><b>ExxonMobil and Production Company</b>  <b>Attn: Paul Keffer</b>  <b>P.O. Box 4697</b>  <b>Houston, TX 77210-4697</b></p>	<p>3. Service Type  <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article Number  <b>7002 0860 0006 7052 6252</b></p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1035

*Sterne #2*

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

March 31, 2003

The Richard H. and Syble W. Corn Trust  
1250 Lillie Drive  
Bosque Farms, NM 87068

**Via Certified Mail**  
**Return Receipt Requested**

Re: Sterne BCS Com #2  
Township 6 South, Range 26 East, NMPM  
Section 13: W/2  
Chaves County, New Mexico

Dear Mr. and Mrs. Corn:

Yates Petroleum Corporation is proposing to drill the captioned well and invites you to participate in the drilling of this well. I enclose for your review and execution a copy of the Joint Operating Agreement and Authority for Expenditure to drill the well. The estimated completed well cost is \$700,400.00 and the proposed Operating Agreement is the normal agreement used by Yates Petroleum Corporation. If this meets with your approval, please execute and return the signature page to the Operating Agreement and one signed copy of the AFE back to the undersigned. You may retain the other copy of the AFE and the full copy of the Operating Agreement for your records.

Due to the timing of operations, we request your prompt attention in this matter. If you have any questions, please give me a call.

Very truly yours,

**YATES PETROLEUM CORPORATION**

  
Chuck Moran  
Landman

CEM:hp  
Enclosure