

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



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TREASURER

August 8, 1995

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

- Re: NMOCD Case 11332  
Application of Yates Petroleum Corporation to  
Rescind Order R-10372 which authorized the  
unorthodox well location for the Aspden "AOH"  
Federal Com Well No. 2 in Case 11235  
Eddy County, New Mexico
- Re: NMOCD Case 11235 (Order R-10372)  
Application of Yates Petroleum Corporation for  
an Unorthodox Well Location  
Eddy County, New Mexico
- Re: Administrative Application  
dated June 19, 1995 of Yates Petroleum  
Corporation for approval to now drill the Aspden  
"AOH" Well No. 2 as a directionally drilled well  
Eddy County, New Mexico

Dear Mr. Stogner:

This letter is to take exception and reply to letter dated August 7, 1995 from Mr. W. Thomas Kellahin. In Mr. Kellahin's letter, this company and our attorneys, as well as me personally, are accused of violating OCD Rules and Procedures in our attempt to resolve the captioned cases.

There is obviously some disagreement about the Order No. R-10372, its fairness, and the precedent for future cases it may set. To my recollection, the NMOCD has always held against downspacing of a proration unit on which production has already been obtained. Non standard spacing units are an acceptable solution prior to the drilling of wells, however once production has been established, there are royalty inequities that cannot be reconciled if a proration unit is downspaced. In this particular case, the State of New Mexico would be placed in the position of their royalty being diminished by a ruling requiring downspacing. Therefore, in the past, and correctly so, the Commission has always ruled against down spacing.

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Notwithstanding any disagreement we may have over the order, Mr. Kellahin's letter to which this is referred is an insult and appears to be a blatant attempt to make this company look bad before the Division. Mr. Kellahin should be the **LAST** one to accuse anyone of *ex parte* communications. The accusation of illegal behavior, violation of rules, and the flavor of blackmail is completely inappropriate and we object to this treatment.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink, appearing to read "Randy G. Patterson", with a long horizontal line extending to the right.

Randy G. Patterson  
Land Manager

RGP/mw

cc: Mr. Rand Carroll, Oil Conservation Division, Santa Fe, NM  
Mr. David Catanach, Oil Conservation Division, Santa Fe, NM  
Mr. Bill Hardy, Conoco Inc., Midland, TX  
Mr. Ernest Carroll, Losee Firm, Artesia, NM  
Mr. W. Thomas Kellahin, Kellahin and Kellahin, Santa Fe, NM