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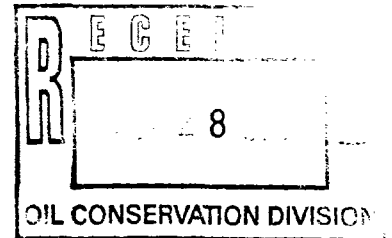
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August 27, 1996

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case 11525: Application of Yates Petroleum Corporation for Amendment of the Special Pool Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool as promulgated by Order No. R- 4691, as amended, to increase the assigned pool wide depth bracket oil allowable and the cancellation of overproduction, Eddy County, New Mexico; Order No. R-4691-F

Oil Conservation Division Case 11526: Application of Yates Petroleum Corporation for Amendment of the Special Pool Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, as promulgated by Order No, R-5353, as amended, to increase the assigned pool wide depth bracket oil allowable and the cancellation of overproduction, Eddy County, New Mexico; Order No. R-5353-L-3

Dear Mr. LeMay:

The purpose of this letter is to request a continuance of the Commission hearing in the above referenced cases, currently scheduled for September 18, 1996 and to request a meeting with the Division and affected attorneys to work out a schedule when these cases and other cases which have been scheduled for hearing on September 18 and 19 can be heard.

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The Examiner hearing in each of the above referenced cases was heard on May 2, 1996 and the Division Orders which are the subject of the De Novo appeal of these orders were entered on August 14, 1996. On August 16, 1996, the Division stayed these orders at the request of Yates "...until the Commission rules on the evidence presented at the September 18, 1996 De Novo Hearing."

As you are aware, Yates Petroleum Corporation is appealing the denial by the Bureau of Land Management of certain Applications for Permits to Drill in the Potash Enclave. In January, a six week hearing on this appeal was set by the Interior Board of Land Appeals. The hearing started on August 15 and is expected to take at least six weeks. On Friday August 23, the IBLA Hearing Officer changed the order of witness presentations in this case and has directed the Yates' technical witnesses, including Mr. May and Mr. Fant, be available to testify starting on September 15, 1996. Testimony of each could take several days to present and there is no assurance that either can be available to testify until October. Accordingly, Yates has a conflict with the Commission hearing scheduled for September 18 in the above referenced cases and must request a continuance of this hearing.

I have discussed the problems that are involved with the hearing in these and other cases with Tom Kellahin who advises that Conoco Inc. has a problem with hearing this case after October 1, 1996 due to the retirement of a key witness.

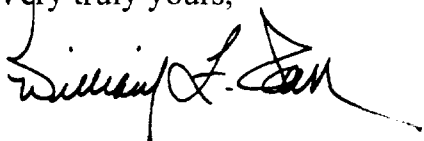
As you are also aware, there is a De Novo Appeal of a case for Read and Stevens on the September 18 Commission Docket and an Examiner Hearing on September 19, 1996. This Examiner Docket includes an application filed by Jim Bruce for Gillespie-Crow Inc. which seeks production limitations in the West Lovington-Strawn Oil Pool and cases concerning Bass' expansion of the Atoka Participating area in the James Ranch Unit. Each of these cases will take a substantial period of time to present.

For this reason, I suggest that a scheduling conference with all attorneys involved with these cases be held in the immediate future to resolve these scheduling problems and find times when each of these cases can be fully presented to the Division/Commission.

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Your attention to this request for a continuance and for a scheduling conference is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

WILLIAM F. CARR
Attorney for Yates Petroleum Corporation

cc: David L. Catanach (Via Hand Delivery)
W. Thomas Kellahin, Esq. (Via Hand Delivery)
James Bruce, Esq. (Via Hand Delivery)