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January 3, 1997

Hand Delivered

David Catanach
New Mexico Oil Conservation Division
2040 South Pacheco Street
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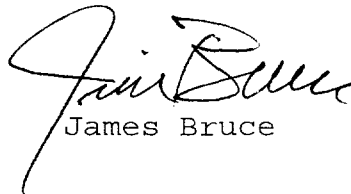
Re: Case Nos. 11666/11677 (InterCoast/Yates)

Dear Mr. Catanach:

I feel I must correct several misstatements made in Yates' proposed order: (1) In ¶7 on page 2, the balance of the NE¼ is owned by Kerr-McGee and Diamond Head Properties; (2) In ¶9 on page 3, InterCoast's interest in the E½ well unit is 24.101%, and Diamond Head's interest is 23.416%. InterCoast's interest is not reduced by Diamond Head's interest; and (3) Pages 4-6 incorrectly re-hash the discussions between the parties. In fact, Mecca Mauritsen of Yates admitted on the record that as of the date of the hearing the parties had discussed the well proposals for over 3 months.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.


James Bruce

cc: W. Thomas Kellahin