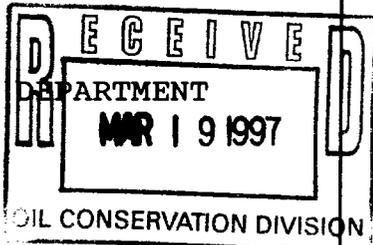


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )  
APPLICATION OF UMC PETROLEUM CORPORATION )  
FOR A NONSTANDARD OIL SPACING AND )  
PRORATION UNIT, LEA COUNTY, NEW MEXICO )

CASE NO. 11,741

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 6th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 6th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

March 6th, 1997  
 Examiner Hearing  
 CASE NO. 11,741

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>EDWARD L. McLAUGHLIN</u> (Landman)	
Direct Examination by Mr. Bruce	5
Examination by Examiner Stogner	11
REPORTER'S CERTIFICATE	17

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	11
Exhibit 2	7	11
Exhibit 3	10	11

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law  
612 Old Santa Fe Trail, Suite B  
Santa Fe, New Mexico 87501  
P.O. Box 1056  
Santa Fe, New Mexico 87504

## FOR YATES PETROLEUM CORPORATION:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.  
Suite 1 - 110 N. Guadalupe  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:55 a.m.:

3

4

5

6

7           EXAMINER STOGNER: At this time I'll call Case  
8   Number 11,741.

9           MR. CARROLL: Application of UMC Petroleum  
10   Corporation for a nonstandard oil spacing and proration  
11   unit, Lea County, New Mexico.

12          EXAMINER STOGNER: At this time I'll call for  
13   appearances.

14          MR. BRUCE: Mr. Examiner, Jim Bruce from Santa  
15   Fe, representing the Applicant. I have one witness to be  
16   sworn.

17          EXAMINER STOGNER: Any other appearances?

18          MR. CARR: May it please the Examiner, my name is  
19   William F. Carr with the Santa Fe law firm Campbell, Carr,  
20   Berge and Sheridan. We have entered our appearance in this  
21   case for Yates Petroleum Corporation. I do not have a  
22   witness.

23          EXAMINER STOGNER: Any other appearances?

24          Will the witness please stand to be sworn?

25          (Thereupon, the witness was sworn.)

1                                    EDWARD L. McLAUGHLIN,

2        the witness herein, after having been first duly sworn upon  
3        his oath, was examined and testified as follows:

4                                    DIRECT EXAMINATION

5        BY MR. BRUCE:

6                Q.     Would you please state your name for the record?

7                A.     My name is Edward L. McLaughlin.

8                Q.     And where do you reside?

9                A.     Lakewood, Colorado.

10              Q.     Who do you work for and in what capacity?

11              A.     I'm vice president of land for UMC Petroleum  
12        Corporation.

13              Q.     Have you previously testified before the  
14        Division?

15              A.     No, I have not.

16              Q.     Would you please outline your educational and  
17        employment background?

18              A.     Yes, I have a degree in business from the  
19        University of Denver and a master's degree in business  
20        administration from the University of Colorado.

21                        I've worked as an independent landman, and I've  
22        been employed by Resources Investment Corporation, Nikor  
23        Exploration Company, and since 1993 for UMC Petroleum  
24        Corporation.

25              Q.     And are you familiar with the land matters

1 involved in this Application?

2 A. Yes, I am.

3 MR. BRUCE: Mr. Examiner, I tender Mr. McLaughlin  
4 as an expert petroleum landman.

5 EXAMINER STOGNER: Mr. McLaughlin is so  
6 qualified.

7 Q. (By Mr. Bruce) Briefly, what is it that UMC  
8 seeks in this case?

9 A. UMC seeks approval of a nonstandard proration  
10 unit, comprised of Lots 16 and 17, in Township 16 South,  
11 Range 35 East. The unit will be dedicated to our Townsend  
12 State Well Number 1, located at an orthodox location in Lot  
13 16.

14 Q. What pool is this well in?

15 A. When we commenced the well it was in the  
16 Undesignated Lovington-Strawn Pool. However, we now  
17 believe the well is in the reservoir of the South Big Dog-  
18 Strawn Pool created by Order R-9722-C, issued last week.  
19 That pool includes Lots 2 through 7 of Section 2.

20 Q. Okay. Would you please identify Exhibit 1 for  
21 the Examiner and describe its contents?

22 A. Yes, Exhibit 1 is a land plat of Section 2 that  
23 includes and shows the operators of all Strawn wells  
24 completed, drilling or proposed within the section and all  
25 80-acre Strawn units for those wells.

1 Q. Okay. And looking at this map -- There's the one  
2 outline in green. That's your proposed unit, is it not?

3 A. Yes.

4 Q. And just to the north of that, there's a unit  
5 outlined in red. That is the subject of Yates' application  
6 in Case 11,739, is it not?

7 A. Yes, it is.

8 Q. Okay. Now, why is UMC's well unit nonstandard?

9 A. We originally thought the unit was standard, and  
10 the Hobbs District Office approved our APD for the well.  
11 That APD is submitted as Exhibit 2.

12 However, based on a letter decision issued by the  
13 OCD on February 5th, we need to obtain Division approval  
14 for our unit comprised of Lots 16 and 17.

15 The decision issued by the OCD on February 5th  
16 did not specifically concern our well or Lots 16 or 17, but  
17 based on that decision the only standard units are  
18 combinations of either Lots 9 and 16 or 15 and 16.

19 Q. Why should UMC's request be granted?

20 A. Well first, I think there was some confusion  
21 among operators over what was a standard unit in elongated  
22 Section 2. Our permitting department thought that our unit  
23 was standard.

24 Also in Cases 11,716 and 11,717, affecting lands  
25 north of our unit, Amerind applied for pooling of those two

1 units, and according to the February 5th letter decision,  
2 those units are nonstandard.

3 Q. And those two cases involve Lots 7 and 10 in one  
4 and Lots 8 and 9 in another; is that right?

5 A. Yes, they do, immediately north and northwest.

6 Q. Okay, and what is the second reason?

7 A. Second, UMC commenced the well on December 19th  
8 of 1996 and has taken all the risk and paid all the costs  
9 in drilling that well.

10 That well reached total depth on February 1st of  
11 1997, five days prior to the issuance of the February 5th  
12 letter. We've spent approximately \$600,000 on the well to  
13 date.

14 Q. Now, if UMC's Application in this case is granted  
15 and the Yates application in Case 11,739 is granted to form  
16 a nonstandard unit for lots 8 and 9, there will be two  
17 nonstandard units in this section. At least as to your  
18 acreage, how could that, you know, problem of having  
19 nonstandard units be corrected?

20 A. If you look at Exhibit 1, we own the -- UMC owns  
21 the majority of this -- what equate to the south half,  
22 appears to equate to the south half of that section.

23 If we ultimately develop all of our acreage in  
24 Section 2, we would agree if necessary to form a  
25 nonstandard 40-acre unit on one of our lots. That way the

1 development pattern in the south two-thirds of the section  
2 will go back to normal.

3 Q. Based on the usually limited extent of these  
4 Strawn porosity pods, you can't tell at this time if your  
5 acreage will even be completely developed; is that correct?

6 A. That's correct.

7 Q. What about the effect of this nonstandard unit on  
8 royalty owners on your acreage?

9 A. All of Section 2 is state land, and this royalty  
10 ownership is common.

11 Q. Now, you could form, ostensibly, a laydown  
12 standard 80-acre unit with Lot 15. You know, looking at  
13 Exhibit 1, this well in Lot 10 is only proposed at this  
14 time. Why can't you form laydown with Lot 15?

15 A. The well in Lot 10 is actually drilling at this  
16 time.

17 Q. It is?

18 A. And in December of 1996, we entered into an  
19 agreement with Yates and we formed an 80-acre unit  
20 comprised of lots 10 and 15 that constitute the designated  
21 unit for the Yates APK State 1 that is now drilling, right  
22 now.

23 Q. So in order to form a laydown, you'd have to  
24 break that contract with Yates?

25 A. Right, that's correct.

1 Q. Who are the offset operators or lessees entitled  
2 to notice of this Application, Mr. McLaughlin?

3 A. If you refer to Exhibit 1, the offset operators  
4 are -- leasehold owners are Yates Petroleum and the related  
5 Yates Companies to the northwest, Amerind Oil and Michael  
6 Shearn to the north, and Charles Gillespie to the east and  
7 southeast. UMC operates the remaining offsetting acreage.

8 Q. And were all of these offsets notified of this  
9 Application?

10 A. Yes, they were. Submitted as Exhibit 3 is an  
11 affidavit of notice with the notice letter and certified  
12 return receipts attached.

13 Q. Was Exhibit 1 prepared by you or under your  
14 direction?

15 A. Yes, it was.

16 Q. And was Exhibit 2 compiled from company records?

17 A. Yes, it was.

18 Q. And Exhibit 3 is simply my notice affidavit, is  
19 it not, Mr. McLaughlin?

20 A. Yes.

21 Q. In your opinion, is the granting of this  
22 Application in the interests of conservation and the  
23 prevention of waste?

24 A. Yes.

25 MR. BRUCE: Mr. Examiner, at this time I would

1 move the admission of UMC Exhibits 1 through 3.

2 EXAMINER STOGNER: Exhibits 1 through 3 will be  
3 admitted into evidence.

4 EXAMINATION

5 BY EXAMINER STOGNER:

6 Q. Mr. McLaughlin, are you familiar with the pool  
7 rules that's in force at this point, and at the time you  
8 were drilling, about the 80 acres and the placement of  
9 wells?

10 A. Yes.

11 Q. Was there any stipulation in there about the  
12 number of wells a proration unit could have?

13 A. Any proration unit?

14 Q. Yes.

15 A. I believe one well in an 80-acre proration unit.

16 Q. Okay, so there is a stipulation about that in  
17 there then?

18 A. I believe there is.

19 Q. With what you're telling me and with UMC's  
20 willingness to form a 40-acre nonstandard proration unit  
21 somewhere down there, wouldn't that in essence create the  
22 necessity of drilling an additional well that wouldn't be  
23 needed?

24 A. I can't state with certainty that we're going to  
25 drill the entire -- our entire leasehold down there, but if

1 we did, to correct the situation that exists, we would be  
2 willing to accept a 50-percent penalty on a 40-acre unit  
3 designation.

4 Q. How about if this one was designated 40 acres? I  
5 mean, why not start with this one?

6 A. Because we're not -- We're still trying to  
7 complete the well right now, and we're in the middle of  
8 trying to complete it. We don't really want a 40-acre  
9 allowable on this well right now.

10 Q. What would a 40-acre allowable entail you as --  
11 or limit you at this point?

12 A. I believe it would be half of the 445-barrel-a-  
13 day allowable established under the pool rules.

14 Q. Doesn't this also lie near that West Lovington-  
15 Strawn Pool?

16 A. Yes, it does.

17 Q. Is it a part of that particular reservoir, or is  
18 it too early -- Well, okay, I'm sorry, I'm asking the wrong  
19 person. I'm sorry.

20 MR. BRUCE: Mr. Examiner, I can tell you that  
21 I've been informed that if you'll notice on Exhibit 1, this  
22 Gillespie Number 8 well, that the pressure data from that  
23 well shows that it's in the same reservoir as the two  
24 Amerind wells in Lots 3 and 6.

25 Q. (By Examiner Stogner) I notice Lot 14 is marked

1 as being connected with the Lot Number 11, according to  
2 Exhibit Number 1, because there's a blue rectangular box  
3 that connects those two. Is that an existing proration  
4 unit?

5 A. I'm sorry, it is a proposed proration unit  
6 between Yates Petroleum and UMC Petroleum. We've  
7 designated the -- The two companies have formed an 80-acre  
8 unit comprised of those two lots.

9 Q. Okay. Is there a well out there, or is it just  
10 proposed at this time?

11 A. Not at this time. There may be in the near  
12 future a well drilled out there.

13 Q. On the second page of Exhibit Number 2, this was  
14 your one of two that was filed with the Hobbs District  
15 Office; is that correct?

16 A. Yes, it is.

17 Q. Was the 80 acres clearly shown on that -- on the  
18 original that was submitted to Hobbs?

19 A. Yes, sir, it was.

20 Q. In what way? With a yellow highlighter?

21 A. Yes.

22 Q. And you were not notified that it was considered  
23 a nonstandard proration unit and that --

24 A. No, sir.

25 Q. -- you would have to do anything?

1 A. No, we were not.

2 Q. What is your interpretation of the rules about  
3 this? Did you not see it as a nonstandard proration unit  
4 pursuant to the rules?

5 A. The section has over 1000 acres in it, and I  
6 think it was -- It was unclear in our minds, as in other  
7 operators' minds, as to what constitutes a quarter section  
8 out here, whether there were indeed six quarter sections or  
9 four quarter sections in this section. And when we filed  
10 for it, we believed it was a standard unit, that it was a  
11 standard unit.

12 Q. Who is Mr. Scott Webb who signed the document?

13 A. He's our regulatory coordinator, and he handles  
14 all the permitting of our wells.

15 Q. Would he have been familiar with those rules?

16 A. I believe he was.

17 Q. Would he work in conjunction with the surveyor?

18 A. I don't know the relationship. I assume that he  
19 did, that the surveyor conveyed this information to him and  
20 he filed a permit.

21 Q. In the proposed 80-acre nonstandard proration  
22 unit to the north, where -- or do you have an idea, or have  
23 you seen any proposal where that well location is going to  
24 be?

25 A. No, I have not. We don't own a working interest

1 in that 80-acre unit. It's owned by Yates and Amerind, and  
2 at one time or another -- I think Yates has a pending  
3 application to form that -- to comprise that as a  
4 nonstandard unit and a pooling, and Amerind at one point  
5 did as well. I do not know where that location is.

6 Q. On the first page of Exhibit Number 2, you had a  
7 proposed -- a second -- or I guess that would be a  
8 secondary objective, would be the Wolfcamp? Do you know  
9 what the Wolfcamp spacing is out there?

10 A. I'm not familiar with the Wolfcamp spacing out  
11 here.

12 Q. But you have it on your secondary objective.

13 A. Yes, but I think this well was just drilled -- I  
14 believe the well was just drilled through the Strawn.

15 Q. Well, yeah, but the Wolfcamp is above the Strawn,  
16 but you have it listed as a secondary objective. Do you  
17 know what the spacing would be?

18 A. No, I do not.

19 Q. Who proposed the standard 80-acre proration unit  
20 over there with Lots 10 and 15? Yates or UMC?

21 A. Yates did.

22 Q. Was that before or after this well was spudded?

23 A. It was after this well was spudded.

24 EXAMINER STOGNER: I have no other questions of  
25 this witness, Mr. Bruce.

1 MR. BRUCE: I have nothing further, Mr. Examiner.

2 EXAMINER STOGNER: Mr. Carr, do you have any  
3 questions?

4 MR. CARR: No, sir, I do not.

5 MR. BRUCE: If it would help the Division, I  
6 could draft a proposed order.

7 EXAMINER STOGNER: I don't think that will be  
8 necessary in this case, Mr. Bruce.

9 If there's nothing else further in Case Number  
10 11,741, then this matter will be taken under advisement.

11 (Thereupon, these proceedings were concluded at  
12 9:15 a.m.)

13 \* \* \*

14  
15  
16  
17  
18  
19  
20  
21 I do hereby certify that the foregoing is  
22 a complete record of the proceedings in  
23 the Examiner hearing of Case No. 11741,  
heard by me on 6 March 1997.

24 Michael E. Stogner, Examiner  
Oil Conservation Division

25

## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                   )    ss.  
 COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 7th, 1997.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998



District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Aztec, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

RECEIVED  
 OIL CONSERVATION DIVISION  
 Energy, Minerals & Natural Resources Department  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-101  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 6 Copies  
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, NEW DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: UMC Petroleum Corporation 410 17th Street, Suite 1400 Denver, Colorado 80202		GRID Number 23654
Property Code 20032		API Number 30-025-33713
Property Name Townsend State	Well No. 1	

NEW MEXICO  
 OIL CONSERVATION DIVISION  
 UMC EXHIBIT 2  
 CASE NO. 11741

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
(16P)	2	16S	35E	P	3526	South	727	East	Lea

8 Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

Proposed Pool 1 best Lawington Strawn	Proposed Pool 2 Wolfcamp
--	-----------------------------

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code State	Ground Level Elevation 3400'
Multiple NO	Proposed Depth 11,800'	Formation Strawn	Contractor	Spud Date Upon Approval

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	400'	375	Surf.
12-1/4"	8-5/8"	32#	4100'	1972	Surf.
7-7/8"	5-1/2"	17#	11,800'	820	7600'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout preventing program, if any. Use additional sheets if necessary.

UMC Petroleum proposes to drill and complete the subject well into the Strawn Formation, if the zone is economically productive. If the well/zone is non-productive, it will be plugged and abandoned and the site re-claimed and re-seeded with an approved mixture.

Permit Expires 1 Year from Approval  
 Date Unless Drilling Underway

BOP Program: Blowout preventer = 12" 3000# typr "E" double ram. 12" 3000# GK, 180 gallon 5 station Koomey, air electric, 4" 3000 # manifold.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Scott M. Webb*  
 Printed name: Scott M. Webb  
 Title: Regulatory Coordinator  
 Date: 12/2/96  
 Phone: (303) 573-4721

OIL CONSERVATION DIVISION	
Approved by: <i>Larry</i>	Title: DISTRICT I SUPERVISOR
Approval Date: DEC 02 1996	Expiration Date:
Conditions of Approval: Attached <input type="checkbox"/>	

STRICT I  
 Box 1960, Hobbs, NM 88341-1960

State of New Mexico  
 Energy, Minerals and Natural Resources Department

Form C-102  
 Revised February 10, 1994  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

RICT II  
 Arroyo DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION  
 P.O. Box 2088  
 Santa Fe, New Mexico 87504-2088

AMENDED REPORT

RICT III  
 Rio Brazos Rd., Artesia, NM 87410

RICT IV  
 Box 2088, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-33713	Pool Code 40875	Pool Name West Livingston Strawn
Property Code 20032	Property Name TOWNSEND STATE	Well Number 1
GRID No. 23654	Operator Name UMC PETROLEUM CORPORATION	Elevation 3983

Surface Location

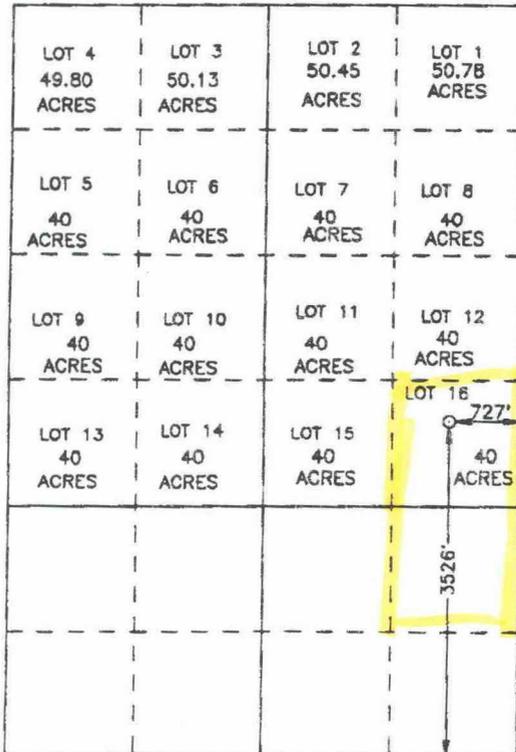
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
16	2	16 S	35 E	(P)	3526	SOUTH	727	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
-----------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



Y=711754  
 X=779684

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

*[Signature]*  
 Signature  
 Scott M. Webb  
 Printed Name  
 Regulatory Coordinator  
 Title  
 12/2/96  
 Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

NOVEMBER 29, 1996

Date Surveyed  
 Signature & Seal of Professional Surveyor  
 NOVEMBER 29, 1996  
 Num. 96-11577  
 Certificate No. JOHN W. WEST 676  
 R. EIDSON 3239  
 R. EIDSON 12841

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF UMC PETROLEUM CORPORATION FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case No. 11741

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) ss.

James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am an attorney for Applicant.

3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.

4. Notice of the Application was provided to the interest owners at their correct addresses by mailing each of them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.

*James Bruce*  
\_\_\_\_\_  
James Bruce

SUBSCRIBED AND SWORN TO before me this 4<sup>th</sup> day of ~~February~~ MARCH, 1997, by James Bruce.

*[Signature]*  
\_\_\_\_\_  
NEW MEXICO  
OIL CONSERVATION DIVISION

UMC EXHIBIT 7  
CASE NO. 11741

My Commission Expires:  
NOTARY PUBLIC  
STATE OF NEW MEXICO  
APR 15 1998

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

February 14, 1997

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

TO: PERSONS LISTED ON EXHIBIT A

Dear Sirs:

Enclosed is a copy of an application for a non-standard spacing and proration unit filed at the New Mexico Oil Conservation Division by UMC Petroleum Corporation regarding Lots 16 and 17 of Section 2, Township 16 South, Range 35 East, NMPM, in Lea County. This matter will be heard at 8:15 a.m. on Thursday, March 6, 1997 at the Division's office at 2040 South Pacheco Street, Santa Fe, New Mexico. As an offset operator or lessee, you have the right to enter an appearance and take part in the hearing. Failure to appear at that time will preclude you from contesting this matter at a later date.

Very truly yours,



James Bruce

Attorney for UMC  
Petroleum Corporation



EXHIBIT A

Yates Petroleum Corporation  
Yates Drilling Company  
Abo Petroleum Corporation  
Myco Industries, Inc.  
105 South Fourth Street  
Artesia, New Mexico 88210

Charles B. Gillespie, Jr.  
P. O. Box 8  
Midland, Texas 79702

Robert C. Leibrock  
Michael Shearn  
Amerind Oil Company, Ltd.  
415 W. Wall, Suite 500  
Midland, Texas 79701

is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
 CHARLES B. GILLESPIE  
 P O BOX 8  
 MIDLAND, TEXAS

4a. Article Number  
 P551049313

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

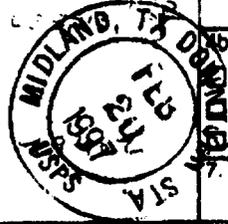
5. Received By: (Print Name)

6. Signature: (Addressee or Agent)  
 X [Signature]

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt



Thank you for using Return Receipt Service.

is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
 YATES Petroleum Corp. et al  
 105 South Fourth St.  
 APT. 316, U.M. 38210

4a. Article Number  
 P551049314

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

5. Received By: (Print Name)  
 Christi Shearman

6. Signature: (Addressee or Agent)  
 X [Signature]

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
 R. LEONARD M. SHEAR  
 AMERICAN OIL CO., LTD  
 415 W WALL, SUITE 500  
 MIDLAND, TX 79701

4a. Article Number  
 P551049312

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)  
 X [Signature]

7. Date of Delivery  
 2-19-97

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.