

MARTIN YATES, III
1912 - 1988
FRANK W. YATES
1936 - 1988



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
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

November 24, 1998

BY FAX

New Mexico Oil Conservation Division
2040 Pacheco Street
Santa Fe, New Mexico 87505

Attention: Ms. Lori Wrotenbery, Director

Re: Oil Conservation Division Case #12073
Nearburg Exploration Company, L.L.C.
Compulsory Pooling
E/2 Section 11, T17S-R25E
Eddy County, New Mexico

Dear Ms. Wrotenbery:

The letter dated November 20, 1998 from Mr. Robert Shelton of Nearburg Exploration Company regarding the captioned begs a rebuttal since it is simply inaccurate.

First, the notion of "several months" good faith negotiations is highly inaccurate. The initial proposal was received by Yates on September 3, then changed on September 23, 1998. We received notice of the Compulsory Pooling Application on October 13, twenty days later. There was no contact made between Nearburg and any of my staff between the initial proposal and the notification of Compulsory Pooling. We gave Nearburg our offer of farmout on November 3. On November 5, at the hearing, the examiner was told by the Nearburg witness that negotiations were under way for a farmout agreement with Yates. On November 11, after the hearing, the first counter offer was made by Nearburg. Although Mr. Shelton did make the counter offer, he fails to tell you that, after our refusal of the counter offer, we also made a counter offer of terms more favorable to Nearburg.

Just as Nearburg Company was attempting to gain undeserved leverage for negotiating more favorable farmout terms after a force pooling hearing and the issuance of an order, they are now trying to persuade you that Yates has not negotiated in good faith.

Ms. Lori Wrotenbery
November 24, 1998

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We immediately filed for a De Novo hearing and are requesting a stay of this order pending the outcome of such De Novo hearing, therefore we are not requesting that you reply or take any action as a result of this letter. We feel, however, that we could not acquiesce to accusations made in the September 20, 1998 Nearburg letter.

Thank you for your kind attention.

Very truly yours,

YATES PETROLEUM CORPORATION



Randy G. Patterson
Land Manager

RGP/mw

cc mailed:

Nearburg Exploration Company
William F. Carr, Esq.
Tom Kellahin, Esq.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 23, 1998

Mr. Randy G. Patterson, Secretary
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Mr. Robert G. Shelton, Attorney in Fact
Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705

Re: Case No. 12073
Application of Nearburg Exploration Company, L.L.C.
Compulsory Pooling
E/2 Section 11, T-17-S, R-25-E
Eddy County, New Mexico

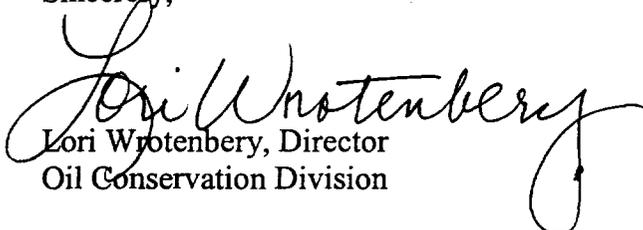
Dear Sirs:

I have reviewed Mr. Patterson's request dated November 19, 1998, to delay issuance of the Division's order in the referenced case, and Mr. Shelton's response dated November 20, 1998.

The Division cannot entertain objections or offers of evidence outside the record and after the hearing. Furthermore, I do not wish to favor either party by delaying the normal course of Division proceedings and interjecting the Division in the pending negotiations.

Therefore, I am proceeding to issue the Division's order in this case.

Sincerely,


Lori Wrotenbery, Director
Oil Conservation Division

cc: David Catanach, OCD Hearing Examiner
Rand Carroll, OCD Legal Counsel
William F. Carr, Esq.
W. Thomas Kellahin, Esq.