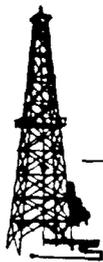


HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

October 20, 2000

POWER 31 FED. COM #1 WORKING INTEREST OWNERS
(See attached mailing list)

Re: Proposed Power 31 Fed. Com #1
T-17S, R-31E, N.M.P.M.
Section 31: S/2
Eddy County, New Mexico

Ladies & Gentlemen:

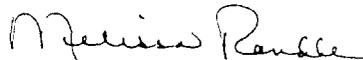
Harvey E. Yates Company (HEYCO) proposes to drill and operate the Power 31 Fed. Com #1 well at a location 660' FSL and 660' FEL of Section 31, T-17S, R-31E, Eddy County, New Mexico. The S/2 of Section 31 will be the spacing unit for the proposed 11,850' Morrow test.

We invite each working interest owner to participate in the drilling of the well. Enclosed is HEYCO's joint operating agreement (JOA), extra set of signature and acknowledgment pages to the JOA, and two copies of the drilling AFE. Please sign, date and return the extra set of signature pages and one original of the AFE to me at your earliest opportunity. HEYCO would like to drill the well as soon as a rig is available, so include your well information requirements list as well.

If you decide not to participate in the well, HEYCO will farm in your interest under the JOA contract area on the basis of delivering a 75% net revenue interest to HEYCO with the option at payout to convert your reserved overriding royalty interest to a 25% working interest, subject to proportionate reduction.

If you have any questions concerning this proposal, please call Gordon Yahney, geologist, or me at 505/623-6601. We will appreciate your early response.

Very truly yours,


Melissa Randle
Landman

mvr
Enclosures

Power31.AFE.JOA.doc/Land:Power31

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12570 Exhibit 3

Submitted by:
Harvey E. Yates Company
Hearing Date: January 11, 2001

MAILING LIST

POWER 31 FED. COM #1

DEVON ENERGY PRODUCTION CO. L.P.
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102-8260
Attn: Ken Gray

HARRY B. HINKLE
P. O. Box 60010
Midland, Texas 79711

OXY USA INC.
P. O. Box 50250
Midland, Texas 79710

JIMMIE R. PARKER, JR.
P. O. Box 2000
Midland, Texas 79702

HARVEY E. YATES COMPANY
EXPLORERS PETROLEUM CORP.
SPIRAL, INC.
HEYCO EMPLOYEES, LTD.
P. O. Box 1933
Roswell, New Mexico 88202

YATES ENERGY CORPORATION
P. O. Box 2323
Roswell, New Mexico 88202

LAURELIND CORPORATION
P. O. Box 2143
Roswell, New Mexico 88202
Attn: Abby H. Yates

YATES-McMINN, LTD.
JALAPENO CORPORATION
P. O. Box 1608
Albuquerque, New Mexico 87103

BURLINGTON RESOURCES OIL & GAS CO.
3300 North "A" St., Bldg. 6
Midland, Texas 79705-5406
Attn: Bob Kay

RICHARD MARTIN DUNBAR
1741 Spyglass, Unit 225
Austin, Texas 78746