

August 31, 2000

Chevron USA Production Co.
P. O. Box 1150
Midland, TX 79701

Attention: Denise K. Beckham, Senior Landman

Re: Request for Term Assignment
of Operating Rights
State of New Mexico
Lease E-2431
T-15-S, R-34-E, NMPM
Sec. 13: S/2SW/4, NE/4SE/4
Lea County, New Mexico
Containing 120 gross/net acres

Dear Denise:

Pursuant to our conversation today, David Petroleum Corp. (David) would like to purchase a Term Assignment from Chevron, etc. of their operating rights on the referenced tract and hereby makes the following offer:

1. David will pay Exxon-Mobil \$100.00 per net acre.
(120 net acres \$100.0 = \$12,000)
2. Term of Assignment shall be for three years.
3. Chevron shall deliver a 78% New Revenue Interest on the operating rights assigned.

We would appreciate your prompt and favorable consideration of this offer. Please don't hesitate to call if you have any questions.

Sincerely,

Bill Owen
Land Manager

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12582 Exhibit No. 2

Submitted by:
Yates Petroleum Corporation
Hearing Date: January 25, 2001

DAVID PETROLEUM CORP.
EDWARD N. DAVID, C.P.L.
VICE PRESIDENT
Off. 505/622-8850
Fax: 505/623-1801
davpetro@dfn.com
Res. 505/624-0558
116 West First
Roswell, New Mexico 88201



September 12, 2000

Chevron U.S.A. Production Company
P.O. Box 1150, Midland, TX 79702
15 Smith Road, Midland, TX 79705
Phone 915 687 7745
Fax 915 687 7448
E-Mail rvad@chevron.com

R. M. Vaden
Senior Land Representative
Permian Basin Land Division

David Petroleum Corp.
116 West First Street
Roswell, New Mexico 88201
Attention: Bill Owen, Land Manager

Re: Term Assignment Request
Township 15 South, Range 34 East
Section: 13: S/2SW/4, NE/4SE/4
Lea County, New Mexico
Chevron # 316775; (SLO# E-2437)

Dear Mr. Owen:

Your letter of August 31, 2000, requested a three year term assignment of all of Cheveon's interest in the captioned lands with consideration of \$100. / acre in return for delivery of a 78% NRI lease. Your request has been reviewed by our asset team, and Chevron does not desire to grant a term assignment, sale, or farmout of the captioned acreage at this time.

Thank you for your interest, and I will keep your letter on file for future reference. If you have any questions concerning the above, please call me at (915) 687-7745.

Sincerely,

A handwritten signature in black ink that reads "Ray M. Vaden". The signature is fluid and cursive.

Ray M. Vaden, CPL/ ESA

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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 10, 2000

Chevron U.S.A. Production Company
PO Box 1150
Midland, TX 79702
Attn: Mr. Ray M. Vaden

RE: Chevy AWW St Com #1
Township 15 South, Range 34 East
Section 13: S/2
Lea County, New Mexico

915-687-7745

Dear Ray:

We invite you to join us in the drilling of the captioned well to test the Morrow and Mississippian formations at a depth of approximately 13,300 feet. We propose a S/2 spacing unit wherein Yates Petroleum Corporation, et al would have a 62.5% working interest and Chevron would have a 37.5% working interest.

We will forward an Operating Agreement naming Yates Petroleum Corporation as Operator for your review if you elect to join us in the drilling of the well.

Please let us hear from you as soon as possible.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Robert Bullock'.

Robert Bullock
Landman

RB:bn
Enclosure(s)

R: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Write your name and address on the reverse of this card to the back of the mailpiece, the front if space permits.

Addressed to:

Attention: Mr. Ray M. Vaden
Chevron USA Production Company
Box 1150
Midland, TX 79702

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *Bob Bell* B. Date of Delivery *7/19/99*
 C. Signature *Bob Bell* Agent Addressee
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

7099 3400 0016 9851 7689

Chevy AWV St Com #1

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

**U.S. Postal Service
 CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)**

7689 9851 0016 3400 7099

Mr. Ray M. Vaden

Postage \$
 Postmark Fee
 Return Receipt Fee (Endorsement Required)
 Restricted Delivery Fee (Endorsement Required)
 Total Postage & Fees \$

Chevy AWV St
 CoM #1
 Postmark Here

Recipient's Name (Please Print Clearly on the card filed by mailer)

Chevron USA Prod Company

Street, Apt. No. or PO Box No.

PO Box 1150

City, State, ZIP+4

Midland, TX 79702

PS Form 3800, February 2000

See Reverse for Instructions

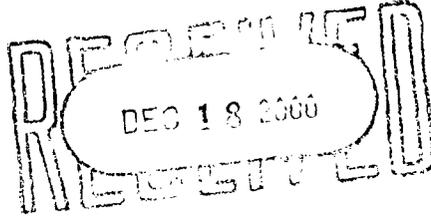


Chevron

Chevron U.S.A. Inc.
P. O. Box 1150, Midland, TX 79702
15 Smith Road, Midland, TX 79705
Phone 915 687-7189
Fax 915 687-7448

M. D. Barabash
Land Representative
Permian Basin Land Division
Internet mdba@chevron.com

December 14, 2000



Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210-2118

Attn: Robert Bullock

Re: Offer to Join in Drilling a Well
Chevy AWW St. Com #1
Section 13: S/2, T15S, R34E
Lea County, New Mexico

Gentlemen:

Reference is made to your letter dated November 10, 2000 wherein you requested we review the . After careful consideration of your proposal by our asset team, Chevron has determined we are not interested in this proposal at this time.

Thank you for your consideration.

Yours very truly,

M. D. Barabash
Land Representative

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

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EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

December 20, 2000

Attn: M.D. Barabash
Chevron U.S.A. Production Company
PO Box 1150
Midland, TX 79702

Via Certified Mail

Re: **AFE**
Chevy AWW St Com #1
Township 15 South, Range 34 East
Section 13: S/2
Lea County, New Mexico

Gentlemen:

Please be advised that Yates Petroleum Corporation has moved the footage from 1100' FSL and 1600' FWL to 1650' FSL and 1650' FWL on the captioned well.

The proration unit will continue to be the S/2 of Section 13.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Attn: M.D. Barabash
 Chevron U.S.A. Production Co.
 PO Box 1150
 Midland, TX 79702

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *John Bell* B. Date of Delivery **DEC 21 2000**

C. Signature *John Bell* Agent Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)
 7000 1670 0007 6696 3068

Chevy AWV St Com #1

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7000 1670 0007 6696 3068

Postage	\$
Postage Fee	
Postage Receipt Fee (Additional Fee Required)	
Restricted Delivery Fee (Additional Fee Required)	
Total Postage & Fees	\$

Chevy AWV
 St Com #1
 Postmark
 Here

Sent To: Attn: M.D. Barabash
 Chevron USA Production Company
 Street, Apt. No., or PO Box No.
 PO Box 1150
 City, State, ZIP+4
 Midland, TX 79702