

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



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November 13, 2001

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504

Attention: Mr. Michael Stogner

Case 12753
Re: David H. Arrington Oil & Gas, Inc.
Double Hackle Drake 36 St.#1
Township 16 South, Range 35 East
Section 36: W2
Lea County, New Mexico

Dear Mr. Stogner:

One of the criteria that the Division has required in order to prosecute a compulsory pooling has been good faith negotiations. Our concept of good faith negotiations is an exchange by both parties who begin with a difference in terms, but by consecutive counter offers finally reach an agreement somewhere in between the original two sets of terms. Even if an agreement is not reached there has been adequate discussion.

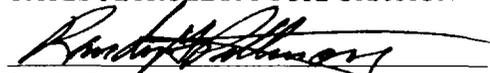
In the captioned case the original proposal was to participate or to sell a two year term Assignment. There was no further communication until a Forced Pooling was filed three months later. Shortly thereafter another letter reiterated that Yates join or sell out. As a defense Yates offered in writing to farmout to Arrington for the drilling of the well. There has been no further communication.

We have in past years become embroiled in battles before the OCD with Operators whose drilling schedule is determined by the NMOCD Forced Pooling Docket. In Oklahoma the method seems to be force pool first and talk later, if ever. We are concerned that the Division not allow "good faith negotiations" to be replaced by "negotiation by forced pooling".

I thank you for your attention.

Very truly yours,

YATES PETROLEUM CORPORATION


Randy G. Patterson
Land Manager

RGP/pb

cc: Lori Wrotenbery - NMOCC