

New Mexico
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
Governor

JENNIFER SALISBURY
Cabinet Secretary

2/13/98

YATES PETROLEUM CORPORATION.
105 SOUTH 4TH ST.
ARTESIA, NM 88210

ATTN: RANDY PATTERSON

RE: CHANGE OF OPERATOR, STATE HC NO. 1
SEC. 2, T17S, R27E, EDDY CO. NM.

CERTIFIED # P194615154

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 89
CASE NO.	12811

Dear Randy;

As stated in my letter of 1/9/98 wells can be brought into compliance by:

- (1) Returning the well to production,
- (2) T & A the well,
- (3) P & A the well, or
- (4) Providing additional surety that the well will be P & A.

Under option no. 4, the single well bond will be released when the well is brought into compliance.

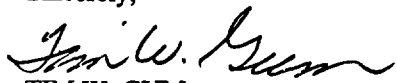
The purpose of this policy is not to impede the transfers of property but to ensure that all wells are properly P & A. It is the current operator's responsibility to ensure that the wells are brought into compliance; however either party may perform such action.

The Form C-104 Change of Operator will not be approved until one of the above conditions has been met. Also, the total package of wells, both in and out of compliance, will not be approved until these conditions are met for all wells. The prior operator's bond will be released when the C-104's are approved. Failure to bring wells into compliance can result in the OCD calling a "show cause" hearing and P&A the well, foreclosing on the operator's bond and taking further legal action against such operator for the additional cost of plugging and any fines assessed.

The OIL CONSERVATION DIVISION DISTRICT II office in Artesia, New Mexico has received a C-104 for change of operator to JOHN A. YATES, JR. OIL OPERATOR. YATES PETROLEUM is the operator of record until the C-104 is approved by this office. Our records show that the State HC No. 1 well has not produced any oil or gas in the last twelve months. The C-104 will not be approved and your bond will not be released for this well until it is brought into compliance.

Please advise this office by 2/27/98 of your plans to bring this well into compliance. We appreciate your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tim W. Gum".

TIM W. GUM
OIL CONSERVATION DIVISION
DISTRICT II SUPERVISOR

LORI WROTENBERY - DIRECTOR
RAND CARROLL - ATTORNEY
JOHN A. YATES, JR. .

P 194 615 154

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	
YATES PETROLEUM CORP.	
Street & Number	
105 S. 4th STREET	
Post Office, State, & ZIP Code	
ARTESIA, NM 88210	
Postage	\$.32
Certified Fee	2.45
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 2.77
Postmark or Date	
2-13-98	

PS Form 3800 April 1995