



PENNZOIL PLACE • P. O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

January 7, 1988

Yates Petroleum Corporation
Yates Drilling Company
MYCO Industries, Inc.
Abo Petroleum Corporation
Artesia, New Mexico 88210

Attention: Mr. Ken Beardemphl

Re: #1 Maude Medlin
N/2 SE/4 of Sec. 22-16S-37E
Lea County, New Mexico

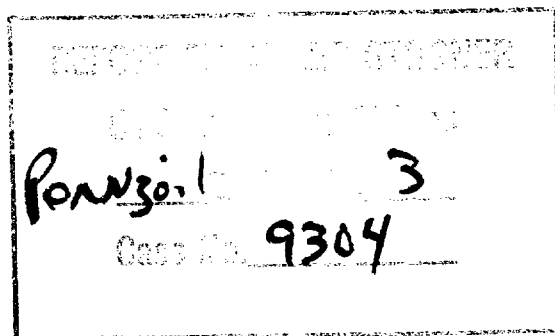
Gentlemen:

Pennzoil Company proposes to move the location for the #1 Maude Medlin 180' to the west at an unorthodox location 1980' FSL and 990' FEL of Section 22-16S-37E and change the spacing and proration unit to the N/2 SE/4. This change in location will enable us to test our seismic anomaly at the most optimum location.

If you agree to our proposal, we plan to spud the well by January 24, 1988 and make application to the Oil Conservation Division of New Mexico on the docket set for February 3, 1988, for an order approving our unorthodox location. We feel there is little or no risk of having any objections from offset operators since we are only getting closer to ourselves.

Enclosed you will find a substitute cover sheet, page 4, page 1 to Exhibit "A" and page 1 to Exhibit "H" to the Joint Operating Agreement dated November 13, 1987, reflecting our proposed changes.

If you concur with our proposal to move the location and change the spacing and proration unit for the #1 Maude Medlin, please signify by executing and returning one copy of this letter to the undersigned.

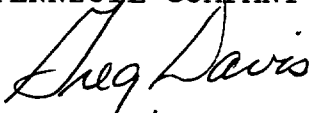


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Your prompt and favorable consideration of our proposal will be appreciated. Should you have any questions, please feel free to call the undersigned at 713/546-6195.

Yours very truly,

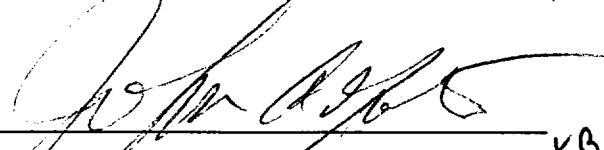
PENNZOIL COMPANY


Greg Davis
Land Specialist

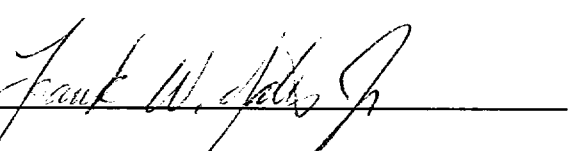
GD:jt
Enclosures

Agreed to and accepted this 7th day of January, 1988.

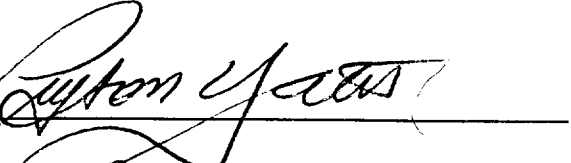
YATES PETROLEUM CORPORATION (*obtained Rio Pecos Interest*)

By: 
KB

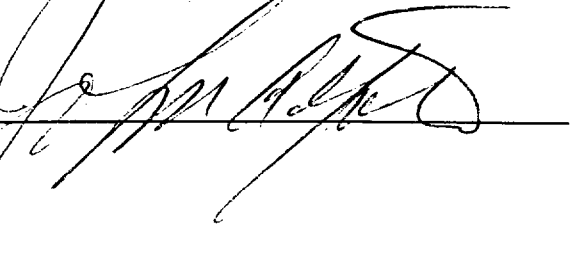
YATES DRILLING COMPANY

By: 

MYCO INDUSTRIES, INC.

By: 

ABO PETROLEUM CORPORATION

By: 

over approved