

May 27, 2004

Mr. Tim Gum
New Mexico Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210

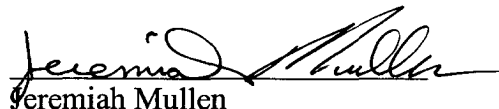
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Re: Weller BDW State #1
30-005-63631

Dear Mr. Gum:

Yates Petroleum Corporation has received from your office an approved Application for Permit to Drill the Weller BDW State #1 well. Yates accepts this APD in the form presented and will comply with the requirements contained therein so that we may continue with our drilling operations. However, Yates acceptance of the APD shall not be construed as a waiver of any rights to challenge a requirement contained in future APD's that we feel is not supported by sound engineering or operational practices. Specifically, we are concerned with the requirement to cement the casing string back to cover the Glorietta formation, which is not a fresh water zone. We reserve the right to challenge this requirement in the future.

Respectfully,



Jeremiah Mullen
Yates Petroleum Corporation