



McClellan Oil Corporation

RECEIVED

APR - 5 1979

O. C. C.
ARTESIA, OFFICE

April 3, 1979

Yates Petroleum Corporation
207 South 4th Street
Artesia, New Mexico 88210

Re: Option Farmout Letter Agreement
Thomas and Green Fee Leases
T10S-R25E, Chaves County, N. M.

Attention: Randy Patterson

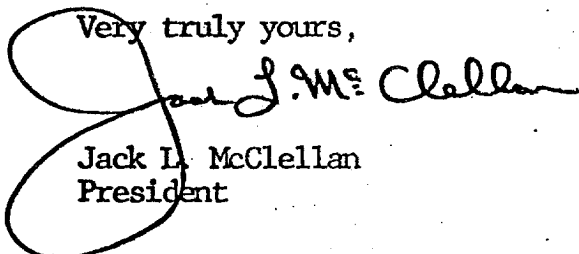
Dear Randy:

Pursuant to the terms of the captioned Agreement we were to commence a test on a portion of Section 1 within 90 days from date of completion of our No. 1 Penjac situated in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 6-T10S-R26E. This well was timely commenced and completed as a producing gas well. Randy Harris has been furnished all information pursuant to the drilling and completion of this test. We subsequently drilled a second well, our No. 1 Tolmac situated in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 36-T9S-R25E, and are at the present time attempting completion in the upper Abo zone. Randy Harris has also been furnished information on this test. We are experiencing a great deal of difficulty in completing this well, having acidized the well three times and fractured it once, without significant results. It is our intention, after the well has cleaned up, to refrac.

You of course realize that it is essential that sufficient reserves be obtained in the area in order to entice El Paso or Transwestern to lay a line into this area, and we are anxious to achieve this situation. It is our clear intention to drill a well on the captioned tract and we have staked the location and are filing the environmental impact statement with notice of intention to drill this week. We would appreciate your forwarding us a Designation of Operator on the lands encompassed in the Option Farmout Letter Agreement. However, we have expended a rather large sum of money to date on the two tests mentioned above and would like to have additional time to evaluate this upper zone in the Tolmac.

This letter is to request an extension of ninety (90) days from May 22 in which to commence operations on a portion of the captioned acreage. Your favorable consideration of this request will be greatly appreciated.

Very truly yours,



Jack L. McClellan
President