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*NOT LICENSED IN NEW MEXICO

July 15, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

attn: Kathy Porter

Ladies and Gentlemen:

On July 15, 1996 Santa Fe Energy Resources, Inc. filed an application at the New Mexico Oil Conservation Division seeking administrative approval of an unorthodox surface location and directional drilling for its Rock Waterhole Canyon "16" State Well No. 1, located in the W½ of Section 16, Township 22 South, Range 24 East, in Eddy County. A copy of the application is enclosed. Santa Fe's records show that you operate wells offsetting the above well unit. If you have any objection to the location and/or directional drilling, you must notify the Division in writing no later than 20 days from the date of this letter, at its Santa Fe office (2040 South Pacheco Street, Santa Fe, New Mexico 87501). If you have no objection, we would appreciate you signing the enclosed copy of this letter and returning it to us at the above address. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

James Bruce

