

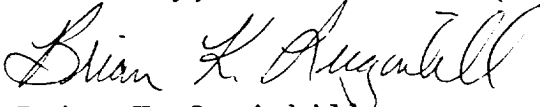
Mr. Michael E. Stogner
November 2, 1990
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necessary to remove liquids from the wellbore, once again, for both tubular and annular flow. These calculations show that it takes a considerably higher flow rate in the annulus to remove liquids than it does in the tubing. This is to be expected. However, I believe that the gas being produced from the Strawn is essentially dry based on the low yields, and liquids removal will most likely never be a factor in this reservoir.

It is apparent from the information and calculations that have been provided with this letter that there will not be a significant waste or loss of reserves from the Strawn by producing it up the annulus. In fact, it could end up having a positive impact on overall recovery. The primary concern of both myself and Yates Energy Corporation is the protection of correlative rights in relation to reserves contained in the Morrow. Oxy is currently producing their Morrow well, located 660 FNL 1450 FEL in section 34-23S-23E, at a rate of 4,300 MCFD. Assuming the well is draining an area equivalent to its 320 acre proration unit and that the reservoir is relatively consistent throughout its areal extent, this would indicate a minimum of 20 to 25% of its production is coming across the lease line from Section 27. The net loss to Yates Energy Corporation could be running as high as 1,000 MCFD. It should be obvious that the loss of reserves in the Morrow is considerable and will require action in a timely manner to protect correlative rights, whereas the Strawn may even benefit from a dual completion.

I hope the information provided with this letter is sufficient to expedite your decision regarding administrative approval. If you have any questions or need additional data, please call me at (505) 625-2117.

Sincerely,


Brian K. Luginbill

att

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Artesia, NM

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