

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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TREASURER

May 2, 2001

CERTIFIED MAIL
RETURN RECEIPT REQUESTED



Marks and Garner Production, Ltd. Co.
P. O. Box 70
Lovington, New Mexico 88260

Attention: Mr. Ernest L. Marks

Re: Mosley Spring 32 State Well #3
Township 23 South, Range 25 East
Section 32: SWNE
Eddy County, New Mexico

Dear Mr. Marks:

Recently it has come to my attention that you have been negotiating with Mr. Robert Bullock of this office to trade the captioned lease for another lease in Eddy County. Mr. Bullock informed you that Yates decided to reenter the captioned well and that no trade would be made. Upon doing research for the re-entry of this well we learned that you have apparently produced 140 barrels of oil between 1998 and present from this wellbore. Further, it has come to my attention that you are claiming equipment and/or pipe in the hole.

Yates Petroleum Corporation purchased Oil and Gas Lease VB-0484 from the New Mexico State Land Office effective May 1, 1996. Records indicate there was no production and no activity on the captioned well after August 1995. Because of the expiration of the previous lease and no attempt by you or anyone to plug the well or to recover any equipment from the wellbore between 1995 and the lease issuance date we are of the opinion that any equipment or pipe on the location was abandoned and reverted to the State of New Mexico. This equipment then became our property upon issuance of the oil and gas lease from the State Land Office and our beginning operation of the well. We are, however, removing this pipe and equipment from this location and hereby give you 10 days from today,