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October 10, 2006

**Sent via facsimile 505-848-1836**

Mr. Larry P. Ausherman  
Modrall, Sperling, Roehl, Harris & Sisk, P.A.  
P. O. Box 2168  
Albuquerque, New Mexico 87102

Re: *In the Matter of the Application of Lynx Petroleum Consultants, Inc. for  
Permit to Drill in Potash Area, Eddy 'BD' State No. 2 Well, Eddy  
County, New Mexico - Oil Conservation Division Case No. 13762  
Yates Petroleum Corporations Objection to Settlement Facilitation  
Meeting with Oil Conservation Division*

Dear Sir:

Yates Petroleum Corporation ("Yates") objects to the notion of conducting settlement negotiations which include representatives of the Oil Conservation Division, without Yates and the other Intervenor being present.

Yates, Devon Energy Production Corp., L.P. and BEPCo, L.P. (collectively "Intervenors") have filed a Notice of Intervention in this matter. Interpid Potash - New Mexico, LLC ("Intrepid") has filed a objection to the Notice of Intervention. Prior to a ruling as to the Intervenor's status, any type of settlement negotiations excluding the Intervenor would be ill advised.

Yates believes that it is a proper party in intervention pursuant to 19.15.14.1209 NMAC 2006, because Yates, in its capacity as an offset leasehold owner, who may be adversely affected by the outcome of an agency action in the captioned matter. It will be difficult to protect Yates and the other Intervenor's interests if intervention is not allowed. **In the Matter Before the New Mexico Public Regulation Commission of the Application of Socorro Taxi, Inc., 2006 NMSC 16.**

Moreover, settlement negotiations which include a representative/employee the New Mexico Oil Conservation Division/Commission ("OCD") are inappropriate and tantamount to *ex parte* communication expressly prohibited by 1.2.3.9 NMAC 2006. In this case, the OCD is the fact finder and it would be improper for any representative/employee of the OCD to participate in settlement negotiations. Conduct or statements made in compromise negotiations are not admissible evidence.

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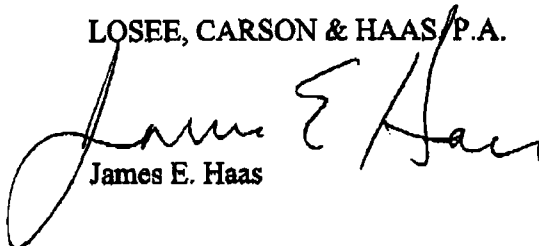
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The Application for Adjudicatory Hearing on Permit to Drill filed by Lynx giving rise to this matter clearly delineates the interpretation, administration and existing precedent of R-111-P is the heart of the issues to be decided in this matter. Yates and the other Interveners own and/or operate dozens of wells and thousands of mineral acres within the KPLA established under R-111-P and questions regarding the interpretation and administration of R-111-P have a direct impact on their respective property rights. It is difficult to envision any type of settlement discussions which would exclude the interpretation and administration of R-111-P.

We are happy to consider appropriate settlement negotiations with all parties given the opportunity to participate before an agreed upon mediator/facilitator who is not an employee of the OCD.

Respectfully,

LOSEE, CARSON &amp; HAAS/P.A.

  
James E. Haas

JEH/sj

cc: Mr. Mark E. Fesmire, P.E., Director New Mexico Oil Conservation Division via  
facsimile 505-476-3462  
Mr. Charles Lakins - via facsimile 505-884-3424  
Mr. Pete Domenici, Jr. - via facsimile 505-884-3424  
Mr. William F. Carr - via facsimile 505-983-6043  
Ms. Mary Lynn Bogle - via facsimile 505-623-9332  
Yates Petroleum Corporation