

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986

S.P. YATES  
1914-2008



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February 7, 2011

*Yates Petroleum Corporation*  
*Case No. 14597*  
*Exhibit 6*

Nearburg Exploration Company, L.L.C.  
Attention: Russell Wickman  
3300 North "A" Street  
Building 2, Suite 120  
Midland, TX 79705-5421

Re: Proposed Joint Operating Agreement  
Dagger Draw 30SE #11 (Formerly NDDUP #131)  
660' FSL & 1,980' FEL in 30-T19S-R25E  
Eddy County, New Mexico

Dear Russell:

By email dated January 24, 2011, you requested several changes to the proposed operating agreement. I have attempted to accommodate your requests and am addressing them in this letter. I have copied your requests directly into this letter so that you should not have to refer back to the email.

**Nearbrug's Request:** ARTICLE III.B: Yates added the following language that appears to indicate that each party is responsible for paying royalty owners rather than the operator. Nearburg proposes this language be deleted or revised to make it clear that unless otherwise agreed upon the operator will pay royalty owners under all leases within the contract area.

**Response:**

Yates 1989 JOA Article III B. added language:

It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Contract Area, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

KATHY H. PORTER  
SECRETARY

DENNIS G. KINSEY  
TREASURER

Analysis:

This language is added to Article III identifies the liability and limits such liability for the payments due lessors. It does not speak to who the party is that makes payments. The issue of payments is covered by the Gas Balancing Agreement. Paragraph 3 of the gas balancing statement reads as follows:

3. At all times while gas is produced from the Contract Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and other similar interests.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

The answer to the question is the party that is taking is responsible for payment of royalties. If all parties are selling with the operator, the operator takes on the role of paying the "Royalty Owner." If a party is taking direct, that party would also bear the responsibility of paying the "Royalty Owners". I believe the language is fine.

**Nearbrug's Request:** ARTICLE VI.A.: Specify the recompletion of the DD #11 as the initial well. As you mentioned on the phone, this Article contemplates a new well, however it is easily adapted to apply to a recompletion. The term of the agreement set out in Article XIII is tied to production established from the initial well, and Nearbrug is opposed to a JOA that does not provide a time frame in which to drill the initial well.

Response:

A. Initial Well:

On or Before the 30th day of April,  
2011, Operator shall commence the drilling  
Recompletion of the Initial Well at the following location:

Township 19 South, Range 25 East, NMPM  
Section 30: 660' FSL & 1,980' FEL  
Eddy County, New Mexico

And shall there after continue the drilling Recompletion of  
the well with due diligence to

test the Wolfcamp dolomite.

The drilling Recompletion of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrences of force majeure.

**Nearbrug's Request:** ARTICLE VI.B.2: Reduce the non-consent penalty from 200%/500% to 100%/300%.

Response: Corrective pages to be sent with 100%/300%.

**Nearbrug's Request:** Set out the correct ownership of each oil and gas lease described in Exhibit "A".

Response: The ownership set on the Exhibit A takes into account the existing contractual ownership of the production and sets for the ownership as the parties have contracted to date. As an accommodation, the Exhibit A has been modified to list Working Interest and Contractual Working interest to distinguish the parties that contributed the leases to the Contract Area. See attached. Please see attached

I hope this addresses your concerns and please look for the corrected pages shortly as they will be sent when they are sent to all working interest owners.

Sincerely,

**YATES PETROLEUM CORPORATION**

A handwritten signature in black ink, appearing to read "Chuck Moran", with a stylized flourish at the end.

Chuck Moran  
Chief Landman