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JASON KELLAHIN (RETIRED 1991)

December 11, 1996

HAND DELIVERED

Mr. William J. LeMay, Chairman
Oil Conservation Commission
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: Dagger Draw Complex Operator's Committee
Order R-4691-G
NMOCD Cases 11525 and 11526
North and South Dagger Draw**

Dear Mr. LeMay:

On November 14, 1996, the Commission issued Order R-4691-G and R-5353-L which states **"The Chairman of the Oil Conservation Commission will appoint the "Committee" and Committee Chairman."** To date Conoco has not received any communication from your office concerning these appointments.

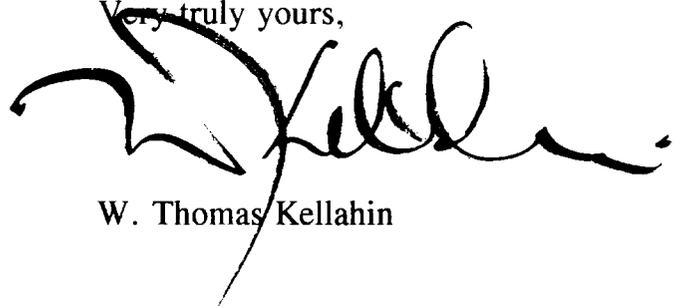
Conoco recently received a call from Mr. Brent May of Yates Petroleum Corporation ("Yates") proposing that Yates convey a recommendation to you to appoint Yates and Conoco as co-chairmen of this reservoir study committee. Conoco advised Mr. May that Conoco would cooperate with such a proposal.

Now, Conoco has received the attached letter from Yates proposing the first meeting apparently before issuance by your office of notice of the appointment of a committee or of the appointment of Yates, Conoco or anybody as chairman. This letter does not identify the members of the committee nor does it confirm that you have been contacted concerning Yates' proposal for the Committee. Neither the letter, nor phone contacts with Yates have revealed to Conoco who else may have received similar invitations to this meeting.

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While Conoco desires to be fully cooperative with this effort, it seems unusual that the establishment of this committee and its first meeting have been initiated by Yates without authorization by the Chairman of the Commission. It would seem appropriate that you first select a committee, a chairman, and then for all participants to be informed of the membership and its structure and that each have an opportunity to participate in organizing an agenda before such a meeting is called.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping underline that extends to the right and then loops back down.

W. Thomas Kellahin

cfx: Conoco Inc.
Attn: Jerry Hoover
William F. Carr, Esq.
Attorney for Yates Petroleum Corporation

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



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TREASURER

December 6, 1996

Bob Irelan
Division Manager
Conoco, Inc.
10 Desta Dr. Suite 100W
Midland, Texas 79705-4500

Dear Mr. Irelan:

On November 14, 1996 the Oil Conservation Commission issued Order Nos. R-4691-G and R-5353-L-4 addressing Dagger Draw overproduction issues. Amongst many issues addressed by these Orders, the Commission ordered that a Dagger Draw Complex Operators Committee shall be formed. This "Committee" will consist of representatives of operators who have operations in either the North Dagger Draw or South Dagger Draw - Upper Pennsylvanian pools. The charges to the Committee are outlined in the Orders and are attached.

With the intent to comply with the letter and spirit of the Orders, Yates Petroleum Corporation proposes a meeting of technical professionals be convened at 9:00 a.m. on January 8, 1997 at the Plaza Inn in Midland, Texas. The purpose of this meeting will be to discuss the formation and organization of said "Committee" as a first step in a cooperative effort of the operators to comply with the Commission's Orders.

It is our desire to comply with the provisions of the Orders and we invite you to participate in this initial step. If you have any questions concerning the meeting please call Pinson McWhorter at (505) 748-4189.

Very truly yours,

Pinson McWhorter
Reservoir Engineering Supervisor

Attachments

PMW/cvg