

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



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

December 10, 1997

R.G. Barton, Sr. and O. Barton Rev. Trust  
Roy G. Barton, Jr. Trustee  
P.O. Box 978  
Hobbs, New Mexico 88241-0978

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

RE: Field APK State Com. #3  
Township 16 South, Range 35 East, NMPM  
Section 2: 3300' FSL and 760' FWL  
Lea County, New Mexico

Dear Mr. Barton:

Please find enclosed our AFE proposing the drilling of the captioned well to test the Morrow formation.

If you wish to participate, please execute and return the AFE along with your check to cover your share of the dry hole costs.

Should you not desire to participate, Yates would farm-in your interest on mutually agreed upon terms.

We will forward our Operating Agreement in the very near future.

Please call me at 505-748-4351 if you have any questions regarding this proposal.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock  
Landman

RB/ljf  
enclosure(s)

Z 351 693 354

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

|   |    |
|---|----|
| Sent to   |    |
| R.G. Barton, Sr. and O. Barton                              |    |
| Rev. Trust  |    |
| Roy G. Barton, Jr. Trustee                                  |    |
| Post Office, State, & ZIP Code                              |    |
| P.O. Box 978  |    |
| Postage   |    |
| Hobbs, New Mexico 88241-0978                                |    |
| Certified Fee   |    |
| Special Delivery Fee  |    |
| Restricted Delivery Fee                                     |    |
| Return Receipt Showing to Whom & Date Delivered             |    |
| Return Receipt Showing to Whom, Date, & Addressee's Address |    |
| TOTAL Postage & Fees  | \$ |
| Postmark or Date  |    |
| Field AAK State<br>Com #3 RB/4                              |    |

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1.  Addressee's Address
- 2.  Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

R.G. Barton, Sr. and O. Barton  
 Rev. Trust  
 Roy G. Barton, Jr., Trustee  
 P.O. Box 978  
 Hobbs, New Mexico 88241-0978

4a. Article Number

Z 351 693 354

4b. Service Type

- Registered  Certified
- Express Mail  Insured
- Return Receipt for Merchandise  COD

7. Date of Delivery

12-12-97

5. Received By: (Print Name)

J. ISBEN

6. Signature: (Addressee or Agent)

X [Signature]

8. Addressee's Address (Only if requested and fee is paid)

Field AAK State  
Com #3 RB/4

Thank you for using Return Receipt Service.



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING & RECOMPLETION

AFE NO. 97-343-0  
AFE DATE 11/26/97

|  |   |   |
|--|---|---|
| AFE Type:  | Well Objective:                         | Well Type:                                      |
| <input checked="" type="checkbox"/> New Drilling | <input checked="" type="checkbox"/> Oil | <input type="checkbox"/> Development            |
| <input type="checkbox"/> Recompletion            | <input checked="" type="checkbox"/> Gas | <input checked="" type="checkbox"/> Exploratory |
|  | <input type="checkbox"/> Injector       |   |

AFE STATUS:

Original

Revised

Final

|             |                         |              |                   |
|-------------|-------------------------|--------------|-------------------|
| LEASE NAME  | Field APK State Com. #3 | PROJ'D DEPTH | 12,600'           |
| COUNTY      | Lea                     | STATE        | New Mexico        |
| LEGAL DESC. | 3,300' FSL & 760' FWL   | LOCATION     | Section 2-16S-35E |
| FIELD       |                         | HORIZON      | Morrow            |

|               |     |               |                    |
|---------------|-----|---------------|--------------------|
| DIVISION CODE | 100 | DIVISION NAME | Oil & Gas Division |
| DISTRICT CODE |     | DISTRICT NAME |                    |
| BRANCH CODE   |     | BRANCH NAME   |                    |

PROGNOSIS: \_\_\_\_\_

| INTANGIBLE DRILLING COSTS:             |   | DRY HOLE       | COMP'D WELL    |
|--|---|----------------|----------------|
| 920-100                                | Staking, Permit & Legal Fees                                | 1,200          | 1,200          |
| 920-110                                | Location, Right-of-Way                                      | 15,000         | 15,000         |
| 920-120                                | Drilling, Footage   |                |                |
| 920-130                                | Drilling, Daywork 41 days @ \$7400/day + \$40k mobilization | 365,000        | 365,000        |
| 920-140                                | Drilling Water, Fasline Rental                              | 15,000         | 15,000         |
| 920-150                                | Drilling Mud & Additives                                    | 32,000         | 32,000         |
| 920-160                                | Mud Logging Unit, Sample Bags                               | 11,600         | 11,600         |
| 920-170                                | Cementing - Surface Casing                                  | 24,000         | 24,000         |
| 920-180                                | Drill Stem Testing, OHT 2 DST's                             | 10,000         | 10,000         |
| 920-190                                | Electric Logs & Tape Copies                                 | 25,400         | 25,400         |
| 920-200                                | Tools & Equip. Rntl., Trkg. & Welding                       | 24,500         | 24,500         |
| 920-210                                | Supervision & Overhead                                      | 17,400         | 17,400         |
| 920-220                                | Contingency   |                |                |
| 920-230                                | Coring, Tools & Service                                     |                |                |
| 920-240                                | Bits, Tool & Supplies Purchase                              | 50,000         | 50,000         |
| 920-350                                | Cementing - Production Casing                               |                | 36,500         |
| 920-410                                | Completion Unit - Swabbing                                  |                | 10,000         |
| 920-420                                | Water for Completion  |                | 8,000          |
| 920-430                                | Mud & Additives for Completion                              |                | 1,000          |
| 920-440                                | Cementing - Completion                                      |                | 0              |
| 920-450                                | Elec. Logs, Testing, Etc. - Completion                      |                | 35,000         |
| 920-460                                | Tools & Equip. Rental, Etc. - Completion                    |                | 20,000         |
| 920-470                                | Stimulation for Completion one zone test only               |                | 100,000        |
| 920-480                                | Supervision & O/H - Completion                              |                | 3,100          |
| 920-490                                | Additional LOC Charges - Completion                         |                | 1,200          |
| 920-510                                | Bits, Tools & Supplies - Completion                         |                | 1,800          |
| 920-500                                | Contingency for Completion                                  |                |                |
| <b>TOTAL INTANGIBLE DRILLING COSTS</b> |   | <b>591,100</b> | <b>807,700</b> |

| TANGIBLE EQUIPMENT COSTS:             |  | DRY HOLE      | COMP'D WELL    |
|---------------------------------------|--|---------------|----------------|
| 930-010                               | Christmas Tree & Wellhead                            | 2,000         | 26,000         |
| 930-020                               | Casing 11-3/4" @ 450'                                | 7,600         | 7,600          |
|                                       | 8-5/8" @ 4650'                                       | 56,500        | 56,500         |
|                                       | 5-1/2" @ 12,600'                                     |               | 93,000         |
| 930-030                               | Tubing 2 7/8" @ 12400'                               |               | 35,000         |
| 930-040                               | Packer & Special Equipment                           |               | 8,000          |
| 940-010                               | Pumping Equipment including \$20,000 for electricity |               | 116,000        |
| 940-020                               | Storage Facilities                                   |               | 22,700         |
| 940-030                               | Separation Equip., Flowlines, Misc.                  |               | 25,000         |
| 940-040                               | Trucking & Construction Costs                        |               | 15,700         |
| <b>TOTAL TANGIBLE EQUIPMENT COSTS</b> |  | <b>66,100</b> | <b>405,500</b> |

**TOTAL COSTS** 657,200 1,213,200

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

|             |             |                     |  |
|-------------|-------------|---------------------|--|
| Prepared By | AL SPRINGER | Operations Approval |  |
|-------------|-------------|---------------------|--|

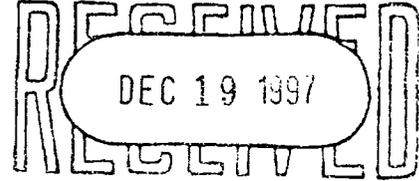
| OWNER               | SHARE |
|---------------------|-------|
| BY _____ DATE _____ | _____ |
| BY _____ DATE _____ | _____ |
| BY _____ DATE _____ | _____ |

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1912 - 1985  
FRANK W. YATES  
1936 - 1986



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Robert Bullock  
Landman

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enclosure(s)

*Please forward invoice.*



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**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING & RECOMPLETION

AFE NO. 97-343-0  
AFE DATE 11/25/97

|  |   |   |
|--|---|---|
| AFE Type:  | Well Objective:                         | Well Type:                                      |
| <input checked="" type="checkbox"/> New Drilling | <input checked="" type="checkbox"/> Oil | <input type="checkbox"/> Development            |
| <input type="checkbox"/> Recompletion            | <input checked="" type="checkbox"/> Gas | <input checked="" type="checkbox"/> Exploratory |
|  | <input type="checkbox"/> Injector       |   |

AFE STATUS:

Original

Revised

Final

|               |                         |               |                    |
|---------------|-------------------------|---------------|--------------------|
| LEASE NAME    | Field APK State Com. #3 | PROJ'D DEPTH  | 12,800'            |
| COUNTY        | Lea                     | STATE         | New Mexico         |
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| FIELD         |                         | HORIZON       | Morrow             |
| DIVISION CODE | 100                     | DIVISION NAME | Oil & Gas Division |
| DISTRICT CODE |                         | DISTRICT NAME |                    |
| BRANCH CODE   |                         | BRANCH NAME   |                    |
| PROGNOSIS     |                         |               |                    |

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| <b>TOTAL COSTS</b>                    |  | <b>657,200</b> | <b>1,213,200</b> |

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

|             |             |                     |  |
|-------------|-------------|---------------------|--|
| Prepared By | AL SPRINGER | Operations Approval |  |
|-------------|-------------|---------------------|--|

| OWNER                        |               | SHARE |
|------------------------------|---------------|-------|
| BY <i>Ray A. Barton, Jr.</i> | DATE 12/16/97 |       |
| BY                           | DATE          |       |
| BY                           | DATE          |       |
| BY                           | DATE          |       |