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February 27, 1998

Via Telecopy 505-827-8177
and U.S. Postal Service

Mr. Rand Carroll
General Counsel
Oil Conservation Division
Energy, Minerals and Natural Resources Department
2040 S. Pacheco
Santa Fe, NM 87505

Re: Application of Yates Petroleum Corporation for Compulsory Pooling, Lea
County, New Mexico
Field APK State Com. #3, Section 2 T16S R35E Lea County

Dear Mr. Carroll:

Per my earlier conversation with you today, I am a Texas licensed oil and gas attorney; I am not licensed in New Mexico. Mr. Clifford Cone, a resident of New Mexico and an independent oil and gas producer for whom I do oil and gas work in Texas, asked me to look at the referenced application. The application appears to require a filing by 4 pm today; we are searching for New Mexico counsel for Mr. Cone, but, in this short time, have not been successful.

However, per your suggestion and without seeking to represent Mr. Cone before the Oil Conservation Division, Mr. Cone asked me to pass on certain factual information to you concerning the above referenced application:

1. Mr. Cone did receive an AFE with respect to this proposal, but it did not set out Mr. Cone's ownership interest; on January 21, 1998 Mr. Cone wrote Yates Petroleum and stated,

... I am interested in participating in the drilling of the subject well. However, I would like to review the proposed Joint Operating Agreement before making a final decision... I have not signed the AFE which you

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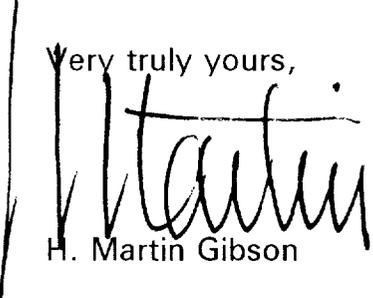
enclosed, because it is unclear to me as to the total acreage in the proration unit and, therefore, I am uncertain of my decimal interest and the amounts which I am agreeing to executing the AFE.

2. Mr. Cone has not received a statement of his decimal interest in the proposed unit, a statement of the portion of the AFE amount he would be expected to pay, nor a copy of the proposed unit agreement or operating agreement.

3. The referenced unit is proposed on the W/2 of Section 2 as, apparently, a 320 acre unit. Section 2 is an oversized section, which appears to contain more than 900 acres; accordingly, a unitization of the W/2 would contain at least 450 acres and a unitization of 320 acres would cover less than the W/2.

If Mr. Cone is successful in engaging counsel, that counsel will be in contact with you before the hearing, which is now scheduled for March 5, 1998.

Thank you for your courtesy and consideration.

Very truly yours,

H. Martin Gibson

c: Mr. William F. Carr
Attorney for Yates Petroleum Corporation