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June 7, 1999

Via Fax and U.S. Mail

William F. Carr  
Campbell, Carr, Berge & Sheridan, P.A.  
P.O. Box 2208  
Santa Fe, New Mexico 87504

Re: Case 12185; Application of Yates Petroleum Corporation  
for an unorthodox gas well location, Eddy County, New  
Mexico

Dear Bill:

I filed a pre-hearing statement in opposition to the above case on  
behalf of Santa Fe Snyder Corporation ("Santa Fe"). Santa Fe  
hereby waives its objection to the location.

Very truly yours,



James Bruce

Attorney for Santa Fe  
Snyder Corporation

BEFORE THE  
OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12185 Exhibit No. 2  
Submitted by: Yates Petroleum Corporation  
Hearing Date: June 10, 1999



OXY USA Inc.  
5 Greenway Plaza, Suite 2400  
P.O. Box 27870, Houston, TX 77227-7870

May 25, 1999

Mr. Randy Patterson  
Yates Petroleum Corp.  
Artesia, NM

\*\*\* BY FAX \*\*

Re: Application of Yates Petroleum Corporation for Unorthodox Gas Well Location, Lucky Coyote "ATD" Well No. 1, 660 FEL & 660 FNL, N/2 of Section 5, Township 17 South, Range 27 East, Eddy County, NM

Application of OXY USA Inc. for Unorthodox Gas Well Location and Simultaneous Dedication, Jazz Federal No. 1, 660 FWL & 1980 FNL, N/2 of Section 4, Township 17 South, Range 27 East, Eddy County, NM

Dear Randy:

OXY USA Inc. has received your application, currently set for an examiner hearing on May 27, 1999. As you know, your proposed location encroaches on the Morrow spacing unit assigned to the OXY/Roscoe Fed Well #1. This well does not produce from the prolific Morrow sand which we both suspect underlies the northeast quarter of section 5 (where your proposed well is located) and the northwest quarter of section 4 (currently assigned to the Roscoe Fed #1 well). Consequently, completion of the Lucky Coyote "ATD" Well #1 at the proposed unorthodox location could drain our reserves from this prolific Morrow zone and adversely affect our correlative rights. The Roscoe Fed #1 well is currently producing around 350 MCFPD. Permanent abandonment of this zone in order to drill a new well in the NW/4 of section 4 will cause waste.

Therefore, OXY is submitting an application to the OCD for the June 10<sup>th</sup> docket for approval to drill and produce the Jazz Federal #1 well at an unorthodox gas well location 660 FWL & 1980 FNL of section 4, and simultaneous dedication (in the Morrow only) of the N/2 of section 4 to this proposed well and the Roscoe Fed #1. In our opinion, approval of this request would address our concerns about the adverse impact of the Lucky Coyote "ATD" Well #1. Therefore we agree to waive any protest to your application for the subject unorthodox location, provided Yates waives any objection to our application. We also propose to exchange well and ownership information. Since Yates is a working interest owner in the Roscoe Federal Well #1, you agree to allow the plugback or temporary abandonment of the Morrow zone in the Roscoe Federal Well #1, should it become necessary to secure regulatory approval to produce the Jazz Federal #1 well in the Morrow formation. Yates also agrees that it will not exercise well takeover rights as set forth in the Operating Agreement that governs operations of the Roscoe Federal Well #1.

Please evidence Yates' agreement by signing below and returning a copy to me. Thanks for your consideration of our request, and we wish you continued success on

May 26, 1999  
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your drilling program in this area. If you need anything else, please don't hesitate to call me at 713-215-7317. My fax number is 713-350-4618.

Sincerely,



Richard E. Foppiano, P.E.  
Senior Advisor - Regulatory Affairs

REF: ref

Agreed to this date by:

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Date signed:

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