

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
ROBERT J. SUTPHIN, JR.

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: law@westofpecos.com

November 10, 2000

BY FACSIMILE AND U. S. MAIL
FAX NO. (505) 627-0207

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Randy Patterson

Reference: Oil Conservation Division Case No. 12515: Application of Manzano Oil Corporation for approval of a unit agreement, Lea County, New Mexico.

Oil Conservation Division Case No. 12516: Application of Manzano Oil Corporation for directional drilling and an unorthodox well location, Lea County, New Mexico.

Dear Mr. Patterson:

Enclosed are copies of the applications filed by Manzano Oil Corporation in each of the above referenced cases which are currently scheduled for hearing before the oil Conservation Division on November 16, 2000. Copies of these applications were previously sent to Yates Petroleum Corporation on September 28, 2000.

In these cases, Manzano Oil Corporation seeks approval of its King State Unit to be comprised of the following described State of New Mexico and fee lands located in Lea County, New Mexico:

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Cases 12515 and 12516 Cons. Exhibit No. 8
Submitted by:
Manzano Oil Corporation
Hearing Date: November 16, 2000

Letter to Yates Petroleum Corporation
November 10, 2000
Page 2

Township 13 South, Range 37 East, NMPM

Section 35: SE/4 NE/4
Section 36: SW/4 NW/4

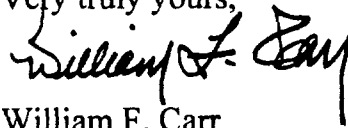
This acreage was previously unitized by Paladin Energy Corporation and the Paladin State "C" Well No. 3 was drilled thereon to test the Devonian formation. The well was a dry hole and Manzano now seeks to re-unitize the area for the purpose of attempting to re-enter the existing wellbore and the directionally drill in an attempt to achieve commercial production. A plat showing the unit boundaries and the location of the directional well is enclosed.

Manzano has acquired a portion of the interest of Paladin Energy Corporation in this acreage and proposes to re-enter the former Paladin well (now the Manzano New Mexico C Well No. 3) at the previously approved unorthodox surface location 1550 feet from the North line and 10 feet from the West line (Unit E) of Section 36. Manzano plans to kick off the well and directionally drill in a south southwesterly direction and complete the well in the Devonian formation, King-Devonian Pool, at an unorthodox gas well bottomhole location 2400 feet from the North line and 190 feet from the East line (Unit H) of Section 35. The bottomhole location of this well encroaches on the offsetting tract to the south which is operated by Yates Petroleum Corporation.

This unit will be the first unit subject to approval under a new State Land Office procedure for "Development Units". In preliminary contacts with the State Land Office, Manzano was directed to obtain a waiver from Yates as the offsetting operator toward whom the well's bottom hole will encroach. Accordingly, Manzano Oil Corporation requests that you waive objection to this application by signing the copy of this letter on the line provided and returning it to me in the enclosed envelope.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr
Attorney for Manzano Oil Corporation

enc.

J:

NOV '00 17:39 No.025 P.04

Letter to Yates Petroleum Corporation
November 10, 2000
Page 3

Yates Petroleum Corporation hereby waives objection to the applications of Manzano Oil Corporation for approval of its proposed King State Unit and to the directional drilling thereon of the Manzano New Mexico C Well No. 3.


Signature

Randy G. Patterson
Printed Name

Atty-in-Fact
Title

Yates Petroleum Corporation

cc: Ms. Debbie Jeffers
Manzano Oil Corporation
121 West 3rd Street
Roswell, New Mexico 88201