

DAVID H. ARRINGTON OIL & GAS, INC.

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August 10, 2001

Oil Conservation Division
Attn. Ms. Lori Wrotenbery – Director
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505
(505) 476-3440 Fax: (505) 476-3462

Re: Yates Petroleum Corporation
30-025-35261
Big Bear "ATN" #2
L-29-15S-35E
Lea County, NM

Yates Petroleum Corporation
30-025-29998
Arreguy "AVM" #1
A-25-15S-34E
Lea County, NM

Ms. Wrotenbery:

Reference is herein made to your letter to Yates Petroleum Corporation dated August 6, 2001 wherein you have requested various forms, well logs and production data on fourteen (14) individual wells including the two above referenced wells. We have repeatedly checked with the OCD as to the status of the logs and production data on several of the wells referenced in your letter only to find that the logs and production data had not been released or reported. We have also called Yates Petroleum Corporation and asked for these logs and production to be released.

David H. Arrington Oil & Gas, Inc. has been very active in the Lovington Area where these wells are located. Both of the referenced wells are direct offsets to our leases and are both currently producing.

The Big Bear #2 well began production on 5/21/01 flowing 735 BOPD and 629 MCFGPD. Yates Petroleum Corporation and David Petroleum Corp. presented this data at a hearing before the OCD in Santa Fe, NM on June 28, 2001, Case No. 12681, wherein Yates/David requested special field rules for this well. A field check today indicated that this well is currently producing several hundred barrels of oil a day and venting gas to the atmosphere.

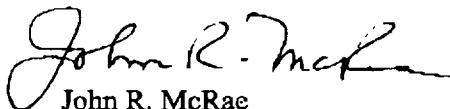
The Arreguy "AVM" #1 began production on 12/7/00 (Per the filed C-104) and to date there has been no production posted on the New Mexico Production Data – (NM Go –

Tech) web site and a recent field check indicated that the well is producing approximately 3 MMCFGPD.

As stated above, both wells are direct offsets to our acreage and we are currently being drained. It is not prudent for Arrington Oil & Gas, Inc. to drill a well without offset well data such as logs and production. We feel that Yates Petroleum Corporation, by not releasing data to the OCD in the time frame allowed by OCD regulations, is not allowing Arrington Oil & Gas, Inc. to prudently protect our correlative rights. Due to the repeated requests by the OCD and Arrington to Yates Petroleum Corporation and the lack of compliance, we respectfully request that the OCD immediately shut in all the wells referred to in the OCD August 6, 2001 letter to Yates Petroleum Corp., including the two above referenced wells.

Please feel free to call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. McRae". The signature is fluid and cursive, with the first name "John" being the most prominent.

John R. McRae
Exploration Manager – West District