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August 29, 2001

HAND DELIVERED

David K. Brooks, Esq.
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: New Mexico Oil Conservation Division Case 12711: Application of David H. Arrington Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico.

New Mexico Oil Conservation Division Case 12727: Application of David Petroleum Corporation and Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.

Dear Mr. Brooks:

The above referenced cases involve competing applications seeking the compulsory pooling of the E/2 of Section 19, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. The Arrington case was originally set for hearing on August 23, 2001. The application filed by David Petroleum Corporation and Yates Petroleum Corporation ("David/Yates") is to be heard on September 20th. David/Yates have requested that the hearing on the Arrington application be continued to September 20th to enable both applications to be heard on the same date. At the August 23rd examiner hearing, Arrington consented to a continuance of the hearing on its application to September 6, 2001 and requested that both applications be heard on that date. At the hearing, I advised you that I would contact David and Yates to determine if their case could be presented at the September 6th examiner hearing

I have reviewed Arrington's request with David and Yates and must advise the Division that David/Yates will not be able to present its case on September 6, 2001. I will be unable to participate in a hearing on that date and, even if David/Yates arrange

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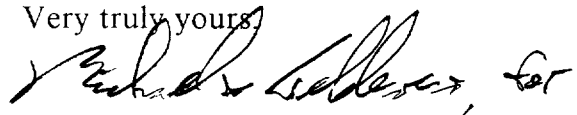
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for other legal representation, they cannot have witnesses in Santa Fe for a hearing on that date.

The Arrington application has been properly noticed and may be heard at any time. In his August 23 letter concerning a September 6th hearing, Mr. Bruce suggests that the Division's notice requirements can be waived by the parties as to the Yates application. I disagree. Pursuant to Division rule, notice by publication of the David/Yates application must be provided. The purpose of notice by publication is to inform those interest owners who may have been missed in the title search done by an applicant. Accordingly, no order could be entered in the Davis/Yates application until after the date on which the case is scheduled to be heard and any person affected by the application has the opportunity to appear and present testimony. In this case, that day is September 20th.

David Petroleum Corporation and Yates Petroleum Corporation will be unable to present their case until September 20, 2001. We believe that the most efficient way to hear these competing cases is for both cases to be presented at once and therefore request that the Arrington application be set for hearing on that date.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a stylized flourish at the end.

William F. Carr

Attorney for David Petroleum
Corporation and Yates Petroleum
Corporation

cc: James Bruce, Esq. (By Facsimile)
David H. Arrington Oil & Gas, Inc.

Bill Owen
David Petroleum Corporation

Randy Patterson
Yates Petroleum Corporation