

A. J. LOSEE
EDWARD B. STEWART

LAW OFFICES
LOSEE AND STEWART
CARPER BUILDING - P. O. DRAWER 239
ARTESIA, NEW MEXICO

30 June 1961

Transwestern Pipeline Company
Box 1502
Houston, Texas

Attention: Mr. Ben H. Copas, Jr.
Manager, Gas Purchase Contracts

Re: Yates Petroleum Corporation and
Transwestern Pipeline Company
December 6, 1960 Gas Purchase
Agreement, Eddy County, New Mexico
Your Contract No. 350



Gentlemen:

C
O
P
Y

The subject contract covers the Yates Petroleum Corporation Len Mayer No. 1 Well and the Bob Gushwa No. 1 Well. You initially took gas under this contract from the Len Mayer No. 1 Well on April 15, 1961. The Gushwa No. 1 Well has been completed for three or four months and is directly offset to the East by the Pan American Flint No. 1 Well. Pan American has been producing this Flint No. 1 Well at the rate of 6,000,000 MCF of gas per day for at least the past four or five months. This Pan American well is draining the reservoir underlying the Gushwa No. 1 Well.

Article I, Section 3 of the subject contract provides that the buyer will proceed with due diligence to construct the facilities necessary to take delivery of gas under the contract. On April 8, 1961, Mr. J. T. Wooten, your Chief Engineer, advised by letter that the well connection to the Gushwa No. 1 Well would be worked into the schedule immediately. I understand that this well has not yet been connected to your line.

Article III, Section 5 of the subject contract provides in effect that if the quantity of gas taken by buyer under the contract is insufficient to enable the seller to protect seller's oil and gas leases from drainage by other operators

Transwestern Pipeline Company
Box 1502
Houston, Texas

-2-

30 June 1961

producing the same common reservoir, then such amount shall be increased by such additional quantity of gas as is necessary to enable seller to prevent drainage.

Under the circumstances it appears that Transwestern has not complied with the provisions of the subject contract in that it has failed to use due diligence to construct the equipment necessary to take gas from the Gushwa No. 1 Well and also in that the Flint No. 1 Well is draining the reservoir underlying the Gushwa No. 1 Well and Transwestern should be taking a like amount of gas from the Gushwa No. 1 Well.

In addition to the correspondence in the file of Yates Petroleum Corporation on this matter, I am advised that telephone calls from this company to Transwestern in connection with this matter were made on February 10, February 15, February 28, March 24 and May 24. Under these circumstances, we will very much appreciate Transwestern remedying the above matters at the earliest possible date and your advice by return air mail as to when Yates Petroleum Corporation may expect to sell gas from its Gushwa No. 1 Well.

Very truly yours,

A. J. Losee

AJL/bk

cc Yates Petroleum Corporation