

*Big Walt*Nearburg Exploration Company

Exploration and Production  
3300 North "A" Street  
Suite 8100  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

July 1, 1993

Ms. Janet Richardson  
Yates Petroleum Corporation  
Abo Petroleum Corporation  
Myco Industries, Inc.  
Yates Drilling Company  
105 South Fourth Street  
Artesia, NM 88210

Re: Well Proposal; Androcles  
S/2 of Section 2, T-22-S, R-24-E  
Eddy County, New Mexico  
M-H Area

Dear Janet:

On this date we received your well proposal for a Morrow test in the S/2 of Section 2, T-22-S, R-24-E Eddy County, New Mexico. As we discussed in our recent meeting, Nearburg Exploration Company has already received a permit to drill a Cisco Canyon test well, dedicating the W/2 of Section 2 as the spacing unit for same. The spacing unit which Yates is proposing would be in direct conflict with our approved permit, assuming that you desire to evaluate the Cisco Canyon formation.

Because your well proposal has been made on acreage already dedicated to a spacing unit, we cannot make an election.

Thank you for your cooperation.

Yours very truly,



Bob Shelton  
Consulting Landman

Bob:\ytsandr.ltr

NEW MEXICO  
OIL CONSERVATION DIVISION

EXHIBIT 3-ACASE NO 10788