

November 5, 1989

State of New Mexico
Energy & Mineral Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

Gentlemen:

In the matter of Case 9823 to be heard 11-15-89 at 8:15 AM.

As you can see by the attached papers, we are somewhat confused by the actual date of hearing, but our letter (certified article P567-646-635) still applies.

Due to ill health, none of the Doyal Family will be present.

If Yates Drilling & Associates believe they must have the Doyal fee land for waterflooding, we are prepared to make one final firm offer which is good through 11-30-89.

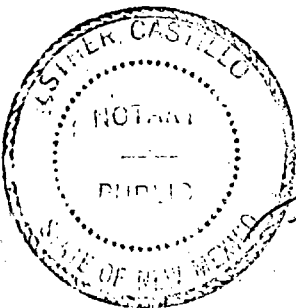
It is our understanding that an equal amount of oil (in this case more) will be recovered from waterflooding than the original pumping. Therefore, we are prepared to accept a one time payment equal to the barrels already pumped since completion of Doyal #1-2-3-4. This will be as of Navajo Refining records. Price per barrel will be paid as quoted by Navajo Refining as of 12-7-89.

In return, Yates Drilling Co. & Associates will have free hand to waterflood any well or wells as they see fit on the Doyal fee land. This does not apply to NW $\frac{1}{4}$ of SW $\frac{1}{4}$ of Section 26 T12 SR31E or SE $\frac{1}{4}$ of SW $\frac{1}{4}$ of section 26 T12 SR31E. Any drilling on these will be treated as the original lease.

This means the Doyal Family will draw no money - not even RI checks for a period of two years. This amount will be divided by the Yates Drilling Co. & Associates as they may see fit.

This agreement will last for a period of two years - 12-16-89 to 12-15-91 inclusive.

James C. Yates



Esther Castillo
Oct 21, 1992

All paper work and agreements to be drawn by Yates Drilling Co. and approved by Louis C. Doyal.

All this pertains to the 3200 foot level.

If Yates Drilling Co. cannot accept this, than we, the Doyal Family, strongly oppose any waterflooding on the Doyal fee land or within 1320 feet of any Doyal fee land. We look forward to the Commission to give us a favorable hearing.

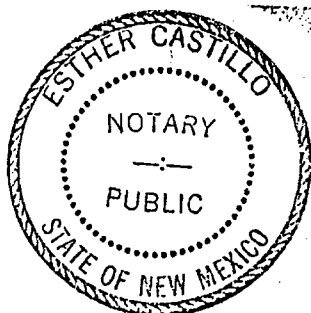
Just so there will be no misunderstanding - the price will be:

Number of barrels pumped since completion of Doyal #1-2-3-4 X's price per barrel as quoted by Navajo Refining as of 12-7-89. Only the number of barrels paid to the Doyal Family by Navajo Refining as RI will apply. Not hearing from Yates Drilling Co. by 11-30-89 makes this offer null and void.

Louis C. Doyal
Louis C. Doyal
810 Meadow Place
Roswell, NM 88201
(full power of attorney in this
matter for the Allen Doyal heirs,
as registered in Chaves County
Courthouse in Roswell, NM)
622 7152

LD:mw

Esther Castillo
NOTARY PUBLIC *expires Oct 21, 1992*



Common got boring
line for Doyd #2-4

I 125 R 31 E

Common Battery for
Doyd #1-2-4

Doyd #1

#2

#3

#4

Calliper STM

NE 1/4 NE 1/4
SAC 34

320
320
320

S 1/4 S 1/4 Sec 26



Robert L. Smith
Oct 31, 1992

James C. Smith

James C. Smith