



CITIES SERVICE OIL AND GAS CORPORATION  
BOX 1919  
MIDLAND, TEXAS 79702

August 17, 1984

(915) 685-5600

RECEIVED AUG 20 1984

Yates Petroleum Corporation  
207 South Fourth Street  
Artesia, New Mexico 88210

Attention: Ms. Janet Richardson

Re: Farmout Agreement dated  
February 8, 1984, covering  
N/2 Section 36, EXCEPT  
NE/4 NW/4, T-20-S, R-27-E  
Eddy County, New Mexico  
Citdel "ZG" No. 1 Well

Gentlemen:

Pursuant to a recent telephone conversation with Ms. Richardson of your office, she stated that Yates Petroleum would like for Cities Service to farm out their interest under a "save and except" 40-acre tract under the Contract. Our Management has reviewed and rejected your request for us to farm out this acreage, since we have a producing well on this 40-acre tract. Our Management is of the opinion that Yates should ask the New Mexico Oil Conservation Commission for a reduced allowable for the subject well.

If you should have any questions concerning this matter, you may contact me at (915)-685-5765.

Yours very truly,

CITIES SERVICE OIL AND GAS CORPORATION

*Danny Kidwell*  
Danny Kidwell  
Landman

DK:eh

YATES PETROLEUM CORPORATION  
Case No. 8304  
9/5/84 Examiner Hearing  
Exhibit No. 3