

**VIA FAX (915) 687-7666**

Chevron USA, Inc.  
P. O. Box 1150  
Midland, Texas 79702

Attention: Sam H. Martin

January 3, 1991

BEFORE EXAMINATION
OIL COMPANY
<i>YEC</i> EXHIBIT NO. <i>3b</i>
CASE NO. <i>18242 + 18243</i>

Re: Thornbush Prospect  
All of Section 1-18S-31E  
Prickly Pear Prospect  
N/2 Section 12-18S-31E  
Eddy County, New Mexico

Gentlemen:

Pursuant to our telephone conversation this date, please be advised that Yates Energy would accept the farmout terms proposed by Chevron, with Chevron retaining a 12.5% ORI before payout delivering a 75% NRI lease and converting to a 17.5% ORI after payout delivering a 70% NRI lease. Yates Energy would request the following lands to be covered by said farmout:

Township 18 South, Range 31 East, N.M.P.M.

Section 1: S/2 (covering all depths)  
Section 12: SW/4NW/4, NW/4NW/4, NE/4NW/4,  
NW/4NE/4, NE/4NE/4, SE/4NE/4  
(covering rights from surface to the  
Base of the Delaware Formation)  
Section 12: SE/4NW/4, SW/4NE/4  
(covering rights from surface to 3595')

Additional terms would include:

1. Drill to earn provision
2. Rights earned to 100 feet below total depth drilled

Chevron USA, Inc.  
January 1, 1991  
Page 2

3. 180 days between wells, with time to be cumulative.

In the event Chevron agrees to said farmout terms, a formal agreement will be prepared for execution. Your prompt attention and assistance in this request is appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton  
Landman

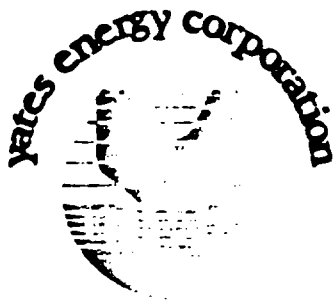
SRH/jj

AGREED TO AND ACCEPTED THIS \_\_\_\_ day of January, 1991

CHEVRON USA, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_



January 11, 1991

Chevron U.S.A., Inc.  
P. O. Box 1150  
Midland, Texas 79702

Attention: James E. Baca

Re: Thornbush Federal #3  
NE/4SW/4 Section 1-18S-31E  
Cocklebur Federal #1  
SW/4SE/4 Section 1-18S-31E  
Eddy County, New Mexico  
Thornbush Prospect

Gentlemen:

Yates Energy Corporation herein proposes to drill the captioned wells at legal locations to test the San Andres formation. Enclosed please find two forms of each AFE, and a copy of each geological write up prepared by Bill Baker, Jr., Chief Geologist.

As you are aware, the Thornbush Federal #1 well is located in the SE/4 SW/4 of Section 1-18S-31E, and was completed in the San Andres formation. Yates Energy Corporation originally submitted the Thornbush Prospect Operating Agreement dated September 1, 1989 for your execution. We again submit said operating agreement for your acceptance. The Operating Agreement will be amended to reflect separate contract areas upon your execution.

In the event you do not wish to participate in the drilling of said wells, we would appreciate the opportunity to discuss this matter with you or negotiate a possible farmout. Therefore, your prompt attention in this matter is appreciated.

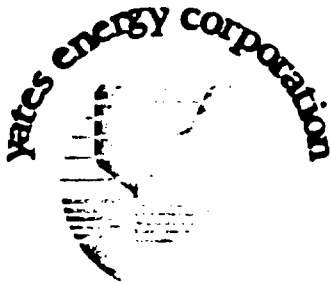
Yours very truly

YATES ENERGY CORPORATION

Sharon R. Hamilton  
Landman

SRH/jj  
Enclosures

P.O. Box 2323, Sunwest Centre, Suite 1010, Roswell, New Mexico 88202 [505] 623-4935 - Fax [505] 623-4947



January 11, 1991

**HAND DELIVERED**

Explorers Petroleum Corporation  
Spiral, Inc.  
HEYCO Employees, Ltd.  
One Sunwest Centre  
Roswell, New Mexico 88201

Attention: Shari A. Darr

Re: Thornbush Federal #3  
NE/4SW/4 Section 1-18S-31E  
Cocklebur Federal #1  
SW/4SE/4 Section 1-18S-31E  
Eddy County, New Mexico  
Thornbush Prospect

Gentlemen:

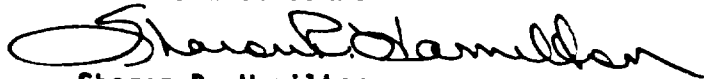
Yates Energy Corporation herein proposes to drill the captioned wells at legal locations to test the San Andres formation. Enclosed please find two forms of each AFE, and a copy of each geological write up prepared by Bill Baker, Jr., Chief Geologist.

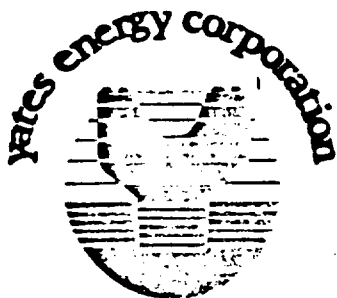
As you are aware, the Thornbush Federal #1 well is located in the SE/4 SW/4 of Section 1-18S-31E, and was completed in the San Andres formation. Yates Energy Corporation originally submitted the Thornbush Prospect Operating Agreement dated September 1, 1989 for your execution. We again submit said operating agreement for your acceptance. The Operating Agreement will be amended to reflect separate contract areas upon your execution.

In the event you do not wish to participate in the drilling of said wells, we would appreciate the opportunity to discuss this matter with you or negotiate a possible farmout. Therefore, your prompt attention in this matter is appreciated.

Yours very truly

YATES ENERGY CORPORATION

  
Sharon R. Hamilton  
Landman



February 7, 1991

Harvey E. Yates Company  
HEYCO Development Corporation  
Spiral, Inc.  
Explorers Petroleum Corporation  
HEYCO Employees, Ltd.  
P. O. Box 1933  
Roswell, New Mexico 88202-1933

Attention: Shari A. Darr

Re: Thornbush Prospect Area  
Section 1-18S-31E  
Eddy County, NM

Gentlemen:

Pursuant to our telephone conversation this date, Yates Energy Corporation ("YEC") herein requests a farmout wherein Harvey E. Yates Company, HEYCO Development Corporation, Spiral, Inc., Explorers Petroleum Corporation, and HEYCO Employees, Ltd. ("HEYCO et al") would deliver 100% of their working interest and retain a 6.25% ORI, proportionately reduced, delivering a 75% NRI lease, with no backin. YEC would request the following lands to be covered by said farmout:

Township 18 South, Range 31 East, N.M.P.M.

Section 1: SW/4SW/4, NE/4SW/4,  
NW/4SW/4, SW/4SE/4,  
plus one additional forty acre tract  
to be determined at a location of  
our choice in the SE/4.

Additional terms would include:

1. Drill to earn provision.
2. Rights earned limited to 100 feet below total depth drilled.
3. 180 days between wells, with time to be cumulative.
4. Initial well to be drilled on or before 60 days from the date of the Farmout Agreement.

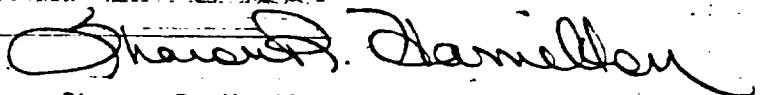
HEYCO et al  
February 7, 1991  
Page 2

In the event HEYCO et al agrees to the farmout terms as outlined herein, please execute in the space provided, returning one form of this letter to our office. A formal agreement will then be prepared for execution by all parties.

Your prompt attention and favorable consideration in this matter is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton  
Landman

AGREED TO AND ACCEPTED THIS \_\_\_\_\_ day of February, 1991.

Harvey E. Yates Company  
HEYCO Development Corporation  
Spiral, Inc.  
Explorers Petroleum Corporation  
HEYCO Employees, Ltd.

By: \_\_\_\_\_

Title: \_\_\_\_\_

SRH/jj  
HEYCOETAL

SRH/jj  
HEYCOETAL