

**BUREAU OF LAND MANAGEMENT
ROSWELL DISTRICT OFFICE**

DIVISION OF MINERAL RESOURCES

OFFICE (505) 627-0272 FAX (505) 627-0276

DATE 8/27/02 TIME _____

2 PAGES TO FOLLOW

TO: Mike Stogner

FROM: Armando Lopez

MESSAGE



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88202

New Mexico Oil Conservation Division
Attn: Mr. Michael Stogner
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Proposed West Echols State Exploratory Unit
Lea County, New Mexico

Dear Mr. Stogner:

The Bureau of Land Management has reviewed the proposed West Echols State Exploratory Unit submitted by Yates Petroleum Corporation (Yates). We do not feel that it is in the best public interest to have the federal tract committed to this unit.

We have discussed the proposed unit agreement with Yates and have agreed not commit the federal tract to the unit agreement. They have agreed protect the federal tract from drainage in the event that an offset well is drilled. We request that if the federal tract is developed, that it be developed as a standup with an E $\frac{1}{2}$ 320 acre proration unit.

Attached is a letter, from Yates, for your files as to our agreement for the development of the federal tract.

If you have any questions please give me a call at (505) 627-0248.

Sincerely,

Armando A. Lopez
Acting Assistant Field Manager,
Division of Lands and Minerals

Enclosure:

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118

TELEPHONE (505) 748-1471

S. P. YATES
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TREASURER

August 23, 2002

Attn: Mr. Armando Lopez
Bureau of Land Management
Roswell Field Office
2909 West 2nd Street
Roswell, New Mexico 88201-2019

Via Facsimile & Mail

RE: NM 102056
Township 11 South, Range 38 East
Section 18: E/2
Lea County, New Mexico

Dear Mr. Lopez:

It is our understanding that upon review of the information presented to your office regarding the West Echols State Exploratory Unit that you feel it is not in the "public interest" to join the unit with the captioned acreage.

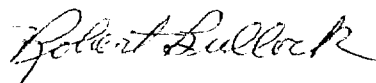
Furthermore you have expressed concern about protecting the federal tract from drainage by any Unit well drilled offsetting the federal tract. It is our understanding that you are not seeking a well commitment but would expect Yates to make its best effort to drill a well on the federal tract if Yates determined that justifiable by geological and reservoir data obtained by prior unit wells.

Yates hereby agrees to same.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION


Robert Bullock
Landman

RB:bn