

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor

Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

22 October 2004

Yates Petroleum Corp. 105 South 4th Street Artesia, New Mexico 88210

30-005-63244

RE: Engwall RL Federal #3

Leakage Test

I-4-9-26

Dear Sir or Madam:

A packer leakage test performed 10-8-04 – 10-13-04 indicated communication between pools. OCD Rules state in pertinent part....."In the event a segregation and/or packer leakage test indicates communication between separate pools, the operator shall immediately notify the division and commence corrective action on the well..."

This well must be in physical compliance with OCD Rules on or before 21 January, 2005.

Van Garton Field Rep. II