



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 3, 2006

Yates Petroleum Corporation

105 South 4th Street

Artesia, N.M.

Attn: Mr. Cy Cowan or To Whom It May Concern:

Dear Mr. Cowan or To Whom It May Concern:

RE: **Yates Petroleum Corporation Application to drill (APD) for the Tracy AXY State # 2
Surface location in Unit I, of Section 25, Township 21 South, Range 26 East, Eddy County, New Mexico,
NMPM. API # 30-015-33552**

In reference to the above noted APD, the New Mexico Oil Conservation Division (NMOCD) will require (in part) that drilling mud samples from the flow line be sampled every 100' in order to determine chloride levels during the drilling of the Capitan Reef section of the well bore. Results are to be submitted to our office before drilling to total depth of the well bore. Please note that the Capitan Reef section is to be drilled with a fresh water mud. Please call me if you have any questions about this matter.

Respectfully yours,

Bryan G. Arrant
NMOCD's District II Geologist
Artesia, New Mexico
505-748-1283 ext. 103

CC: well file