

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
GOVERNOR

JENNIFER SALISBURY
CABINET SECRETARY

November 20, 1996

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210
Attn: Michelle Taylor (Production Department)

Re: The Hanlad "AKZ" State # 2
Sec. 13, T8S-R27E, Unnit M
Eddy County, New Mexico

Dear Michelle,

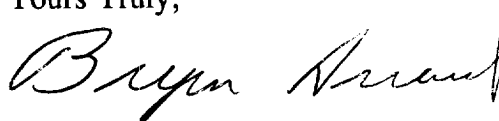
This letter addresses the subject of leaving the Hanlad "AKZ" State # 2 well in the Palma Mesa; Ordovician Gas Pool. We have in our file, Sundry notices (C103's) and a Request for an Allowable (C-104), from Yates requesting to place said well in an undesignated Wolfcamp pool due to recompletion work that was recently preformed in the Wolfcamp formation.

We would prefer to leave this well in the Palma Mesa; Ordovician Gas Pool for the following reasons: (1) There is no existing Wolfcamp production around this area. (2) The amount of oil and/or gas that has been sold by Yates from this zone is limited. (3) The probability of future Wolfcamp production from this well is small.

At least this is our feelings on this matter. In the event Taxation and Revenue preforms some type of audit on this well, you will have this letter as documentation from us. In testing the well for any recompletion, please check and see that all interest are the same in all testing zones.

Gives us a call if you need to visit with us about this or any other matters. Our apologies with the Bayer headache that this may have caused.

Yours Truly,



Bryan G. Arrant
District Geologist