



YATES DRILLING COMPANY

YATES BUILDING - 207 SOUTH 4TH ST. - (505) 746-3558

ARTESIA, NEW MEXICO 88210

PEYTON YATES.
PRESIDENT

S. P. YATES.
VICE PRESIDENT

B. W. HARPER.
SEC.-TREAS.

JACK W. MCCAUL.
ASST. SEC.-TREAS.

July 12, 1985

BLM
P. O. Box 1857
Roswell, NM 88201

ATTENTION: Mr. John Crane

RE: Burkitt Federal #3
Lease No. NM-0256521
330' FNL & 2310' FWL of
Section 34-12S-31E
Chaves County, New Mexico

Dear Mr. Crane:

At this time an operator-landowner agreement has not been reached concerning the surface which will be disturbed by the drilling of the captioned well. The surface involved is owned by Spears Brothers Ranch.

In an effort to reach an agreement with the surface owner, Yates Drilling Company has made three separate offers for settlement of damages arising from past and future drilling and production operations on the Spears Brothers Ranch. The offers which were made to the Spears Brothers are consistent or superior to offers which have been accepted by two separate parties owning land adjacent to the Spears Brothers Ranch.

The Spears Brothers did not accept any of our offers and have suggested additional conditions which we feel are unreasonable. Accordingly, under the date of June 18, 1985, we wrote to Spears Brothers Ranch withdrawing our third offer. We have not received a written reply to our withdrawal.

Sincerely yours,

A handwritten signature in cursive script that reads "Toby Rhodes". The signature is written in dark ink and is positioned above the printed name.

Toby Rhodes

TR:rj

SECRET

JUL 29 1985

CONFIDENTIAL