

February 29, 2004

**VIA HAND DELIVERY**

Mr. David Catanach, Hearing Examiner  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

RECEIVED

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Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

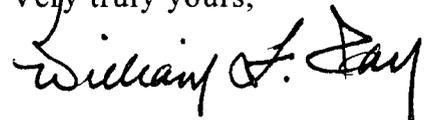
Re: **Case No. 13221**: Application of Yates Petroleum Corporation for approval  
of a unit agreement, Lea County, New Mexico.

Dear Mr. Catanach:

Enclosed for inclusion in the record of the above-referenced case is the Preliminary Approval from the Commissioner of Public Lands of the proposed Atoka Bank State Exploratory Unit.

If you need any additional information from Yates Petroleum Corporation concerning this application, please advise.

Very truly yours,



William F. Carr

Enclosure

cc: Ernest L. Carroll, Esq.  
Yates Petroleum Corporation



PATRICK H. LYONS  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

February 25, 2004

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210-2118

Attention: Mr. Ernest L. Carroll

Re: Preliminary Approval  
Proposed Atoka Bank State Exploratory Unit  
Lea County, New Mexico

Dear Mr. Carroll:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Atoka Bank State Exploratory Unit area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
  - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
  - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
  - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
  - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

Yates Petroleum Corporation  
February 25, 2004  
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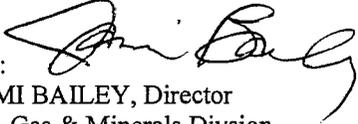
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. Your filing fee in the amount of \$60.00 has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY:

  
JAMI BAILEY, Director  
Oil, Gas & Minerals Division  
(505) 827-5744

PL/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson  
William F. Carr