

RECEIVED

MAR 29 2005

OIL CONSERVATION
DIVISION

UNIT NAME: FARON STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	INDIAN	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE			FEE	CLAUSE	

EFFECTIVE		6397.42	6397.42	0	0	STRICT	5 YEARS
03/21/2005							SO LONG AS

APPROVALS

SLO--03-21-2005 CASE NO. 13404
OCD--03-14-2005 ORDER NO. R-12301

APPROVED
6/29

TOWNSHIP 08 SOUTH, RANGE 32E

SECTION 32: ALL

TOWNSHIP 09 SOUTH, RANGE 32 EAST

SECTION 3: Lots 1, 2, 3, 4, S/2N/2, S/2

SECTION 4: Lots 1, 2, 3, 4, S/2N/2, S/2

SECTION 5: Lots 1, 2, 3, 4, S/2N/2, S/2

SECTION 6: Lots 1, 2, 3, 4, 5, 6, 7, SE/4NW/4, E/2SW/4, SE/4, S/2NE/4

SECTION 8: ALL

SECTION 9: ALL

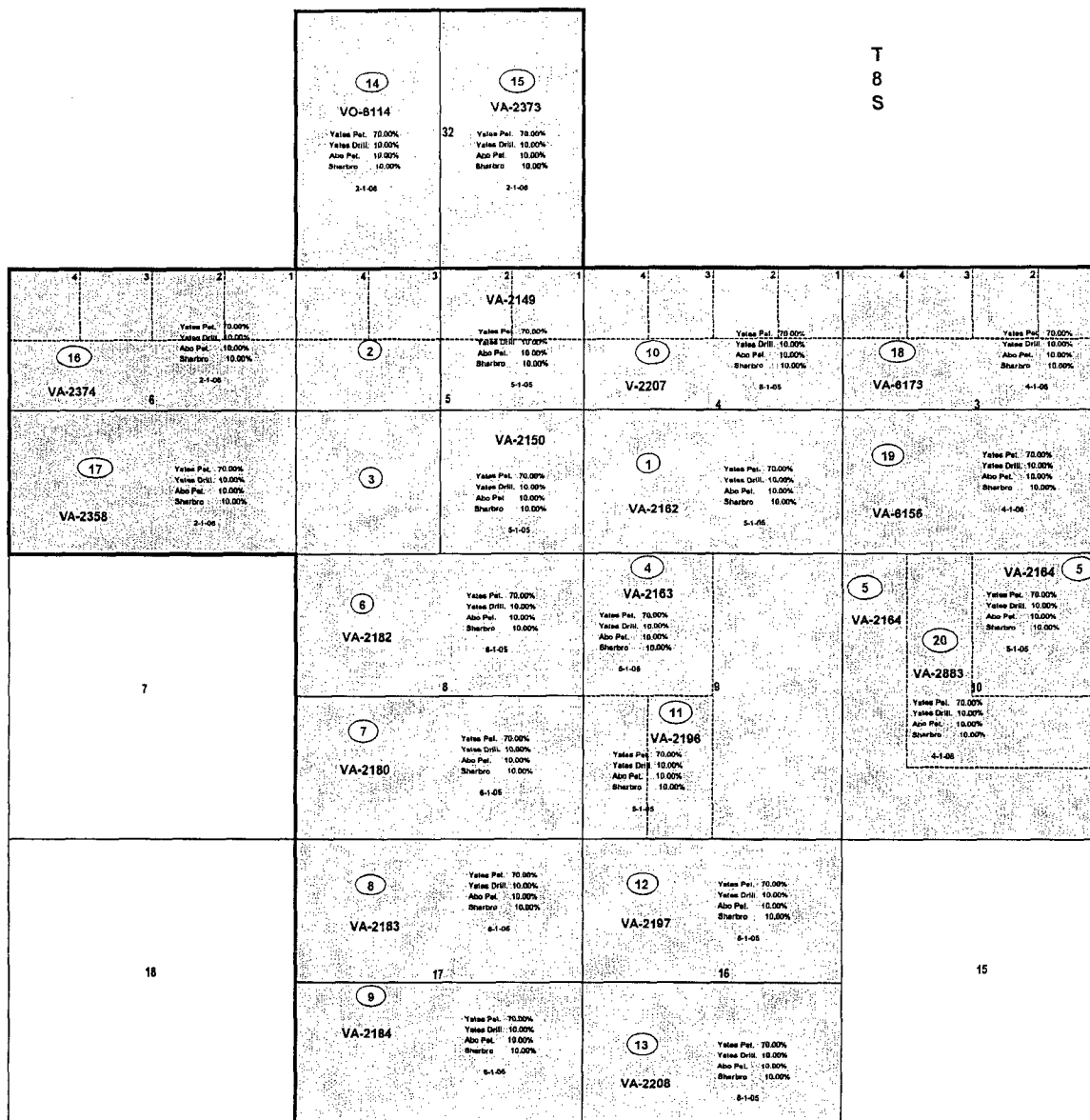
SECTION 10: ALL

SECTION 16: ALL

SECTION 17: ALL

R32E

T
8
S



T
9
S

EXHIBIT "A"

Yates Petroleum Corporation

Faron State Exploratory Unit Area

Lea County, New Mexico

EXHIBIT "B"
Faron State Unit

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1.	T9S, R32E Sec 4: S2 Lea County, NM	320.00	VA-2162 5/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
2.	T9S, R32E Sec 5: Lots 1,2,3,4, S2N2 Lea County, NM	319.77	VA-2149 5/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
3.	T9S, R32E Sec 5: S2 Lea County, NM	320.00	VA-2150 5/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
4.	T9S, R32E Sec 9: NW4 Lea County, NM	160.00	VA-2163 5/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
5.	T9S, R32E Sec 10: NE4, W2W2, SE4SW4, S2SE4 Lea County, NM	440.00	VA-2164 5/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
6.	T9S, R32E Sec 8: N2 Lea County, NM	320.00	VA-2182 6/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
7.	T9S, R32E Sec 8: S2 Lea County, NM	320.00	VA-2180 6/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
8.	T9S, R32E Sec 17: N2 Lea County, NM	320.00	VA-2183 6/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
9.	T9S, R32E Sec 17: S2 Lea County, NM	320.00	VA-2184 6/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
10.	T9S, R32E Sec 4: Lots 1,2,3,4, S2N2 Lea County, NM	321.12	VA-2207 8/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.

EXHIBIT "B"
Faron State Unit

11.	T9S, R32E Sec 9: E2, SW4 Lea County, NM	480.00	VA-2196 8/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
12.	T9S, R32E Sec 16: N2 Lea County, NM	320.00	VA-2197 8/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
13.	T9S, R32E Sec 16: S2 Lea County, NM	320.00	VA-2208 8/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
14.	T8S, R32E Sec 32: W2 Chaves County, NM	320.00	VO-6114 2/1/06	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
15.	T8S, R32E Sec 32: E2 Chaves County, NM	320.00	VA-2373 2/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
16.	T9S, R32E Sec 6: Lots 1, 2, 3, 4, S2N2 Lea County, NM	317.20	VA-2374 2/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
17.	T9S, R32E Sec 6: S2 Lea County, NM	317.73	VA-2358 2/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
18.	T9S, R32E Sec 3: Lots 1, 2, 3, 4, S2N2 Lea County, NM	321.60	VO-6173 4/1/06	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
19.	T9S, R32E Sec 3: S2 Lea County, NM	320.00	VO-6156 4/1/06	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%
20.	T9S, R32E Sec 10: E2NW4, NE4SW4, NSE4 Lea County, NM	200.00	VA-2883 4/1/08	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.	70.000% 10.000% 10.000% 10.000%

TOTAL STATE LANDS
(6397.42 ACRES)



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

March 21, 2005

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

Attn: Mr. Robert Bullock

Re: Final Approval
Faron State Exploratory Unit
Lea County, New Mexico

Dear Mr. Bullock:

This office is in receipt of your letter of March 18, 2005 requesting final approval of the Faron State Exploratory Unit Agreement, Lea County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Faron State Exploratory Unit Agreement. The effective date of your agreement is March 21, 2005.

It is our understanding that all tracts are committed to the unit agreement at this time.

Enclosed are (5) Certificates of Approval.

Your \$300.00 filing fee 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
Oil, Gas & Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File,
OCD-Santa Fe, Attn: Mr. Roy Johnson
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Ms. Linda Vieira
Mr. William F. Carr

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Resources • Western New Mexico University