

3. The initial unit well will be drilled at a standard well location 1980 feet from the North line and 1980 feet from the East line of Section 8, Township 14 South, Range 35 East, NMPM, Lea County, New Mexico to an approximate depth of 13,700

feet to test all formations from the surface to the base of the Mississippian formation. The estimated costs for this well are \$2,841,700 million. (The AFE is attached as Yates Exhibit 2).

4. Attachment A to the Affidavit is a copy of the Unit Agreement for the proposed Jolene State Exploratory Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.

5. Attachment B to the Affidavit is the plat to the Unit Agreement that shows the boundaries of the Jolene State Exploratory Unit and the location of the initial unit test well.

6. Attachment C to this Affidavit is a copy of Schedule B to the Unit Agreement for the Jolene State Exploratory Unit that identifies the working interest ownership in the unit area. Approximately 45.32% percent of the working interest in the Unit Area is owned by Yates and its affiliated companies and is committed to the Unit. Yates Exhibit 3 are copies of the notice letters that were sent to all other working interest owners in the proposed unit area. The letters included an AFE, operating agreement and unit agreement.

7. The schedule under Attachment C to the Affidavit also identifies the royalty interest in the Unit Area. 100% percent of the royalty interest is owned by the State of New Mexico. Attachment D to this Affidavit is a letter from the New Mexico Commissioner of Public Lands giving preliminary approval of the State Land Office to the proposed Jolene State Exploratory Unit. There are no overriding royalty interests in the Unit Area.

8. All of Yates' interest in the Unit Area have been committed to the Unit.

9. Attachment E to this affidavit is a Lower Atoka Net Sand Isopach Map. Yates is attempting to locate channel sands by utilizing log correlation and regional mapping. Although these gas sands can be very productive, the channels are very narrow and limited in aerial extent. Two sand channels are shown on the map. There has been very limited Atoka-Morrow production within the entire 45 square mile area shown on the map. The Yates well located in the southwest corner of the map in Section 19 has a cumulative production of 2 MBO and 191 MMCFG and will never pay out. The EOG well located to the North in Section 20 has a cumulative production of 3 MBO and 258 MMCFG. This well is still producing but probably will not be economic. Harvey Yates drilled a gas well in the northeast corner of the map in Section 26 which produced 93 MMCFG from the upper Mississippian (Austin). The only production inside the proposed unit was a shallow Union Oil well which produced less than 12 MBO from the upper Pennsylvanian.

10. Attachment F is Cross Section A-A' and shows a channel which is located between two wells which had promising shows of sand. Marbob tried to re-enter the Union State #1 Well located in Section 9, but was unsuccessful due to mechanical

difficulties.

11. The unit covers an area that can be reasonably developed under a unit plan.

12. The primary target is the Atoka-Morrow formation. Yates is proposing to drill a rank wildcat well to develop deep Atoka-Morrow production on acreage where there has been no Atoka-Morrow production.

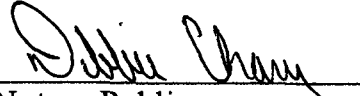
13. If the initial unit well is successful, additional wells will be drilled in the Unit Area. Accordingly, approval of the unit agreement will result in the efficient recovery of hydrocarbons.

14. Approval of the Jolene State Exploratory Unit and the development of the Unit Area pursuant to a unit plan is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.

  
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John Amiet

SUBSCRIBED AND SWORN before me on this 17<sup>th</sup> day of May, 2005.

  
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Notary Public

My Commission Expires:  
10/9/08