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P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
Michael H. Feldewert
mfeldewert@hollandhart.com
New Mexico Board of Legal Specialization
Recognized Specialist in the Area of
Natural Resources - oil and gas law
44519-0072

June 20, 2003

RECEIVED

JUN 20 2003

Oil Conservation Division

VIA HAND DELIVERY

Will Jones, Hearing Examiner
New Mexico Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
1220 So. St. Francis Drive
Santa Fe, NM 87505

Re: Preliminary Approval
Proposed Humidor State Exploratory Unit
Eddy County, New Mexico

Dear Mr. Jones:

Enclosed please find a copy of the State Land Office's Preliminary Approval letter concerning the above referenced matter. As I discussed at the hearing with you yesterday, this letter comprises Exhibit D to Yates' Hearing Exhibit No. 1 (the affidavit of Raymond W. Podany).

Thank you for your attention to this matter.

Sincerely,



Michael H. Feldewert

MHF/jlp

Enclosure



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

June 20, 2003

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

Attention: Mr. Chuck Moran

Re: Preliminary Approval
Proposed Humidor State Exploratory Unit
Eddy County, New Mexico

Dear Mr. Moran:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Humidor State Exploratory Unit area, Eddy 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.

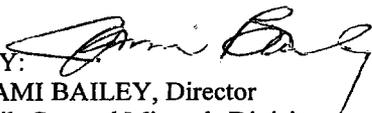
Yates Petroleum Corporation
June 20, 2003
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3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
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. The filing fee for a unit agreement is \$30 for every section or partial section thereof. Please submit a \$150.00 filing fee.

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 and Minerals Division
(505) 827-5744

PL/JB/pm

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