

06/06/2006 TUE 15:29 [TX/RX NO 5352] 002

Pearl C. Colony and Lizzie G. Colony, his wife; Albert Lang; Lizzie M. Stephenson, as her sole property; Alma Green, as her sole property and William Heckman, as his sole property. Yates has made the following attempts to find these interest owners:

- a. Yates hired an independent Landman in the Denver area (their last known whereabouts) to attempt to locate each mineral owner;
- b. Yates also performed an internet search for each mineral owner; and
- c. Yates searched Eddy County records for conveyances or other instruments affecting title;

7. Yates requests that these interests be pooled and Yates be designated operator of the well and the project area.

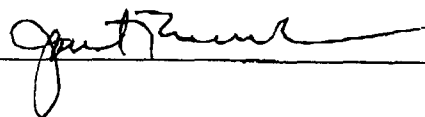
8. Yates proposes overhead charges (combined fixed rates) of \$5,400 per month while drilling and \$540 per month while producing.

9. Attachment C is a copy of the authorization for expenditure (AFE) for this well.

10. Attachment D is an affidavit of publication showing notice of this hearing was given pursuant to Division rules.

11. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste, will protect correlative rights, and allow Yates and the other interest owners in the N/2 of Section 23 an opportunity to obtain their just and fair share of the oil and gas under the subject lands.

FURTHER AFFIANT SAYETH NOT.



SUBSCRIBED AND SWORN before me on this 6th day of June, 2006.



Notary Public

My Commission Expires:

8-22-09



OFFICIAL SEAL

Paula J. Baker

NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

Spacing Unit - N/2 23-T21S-R26E
Location - 660' FNL 660' FWL

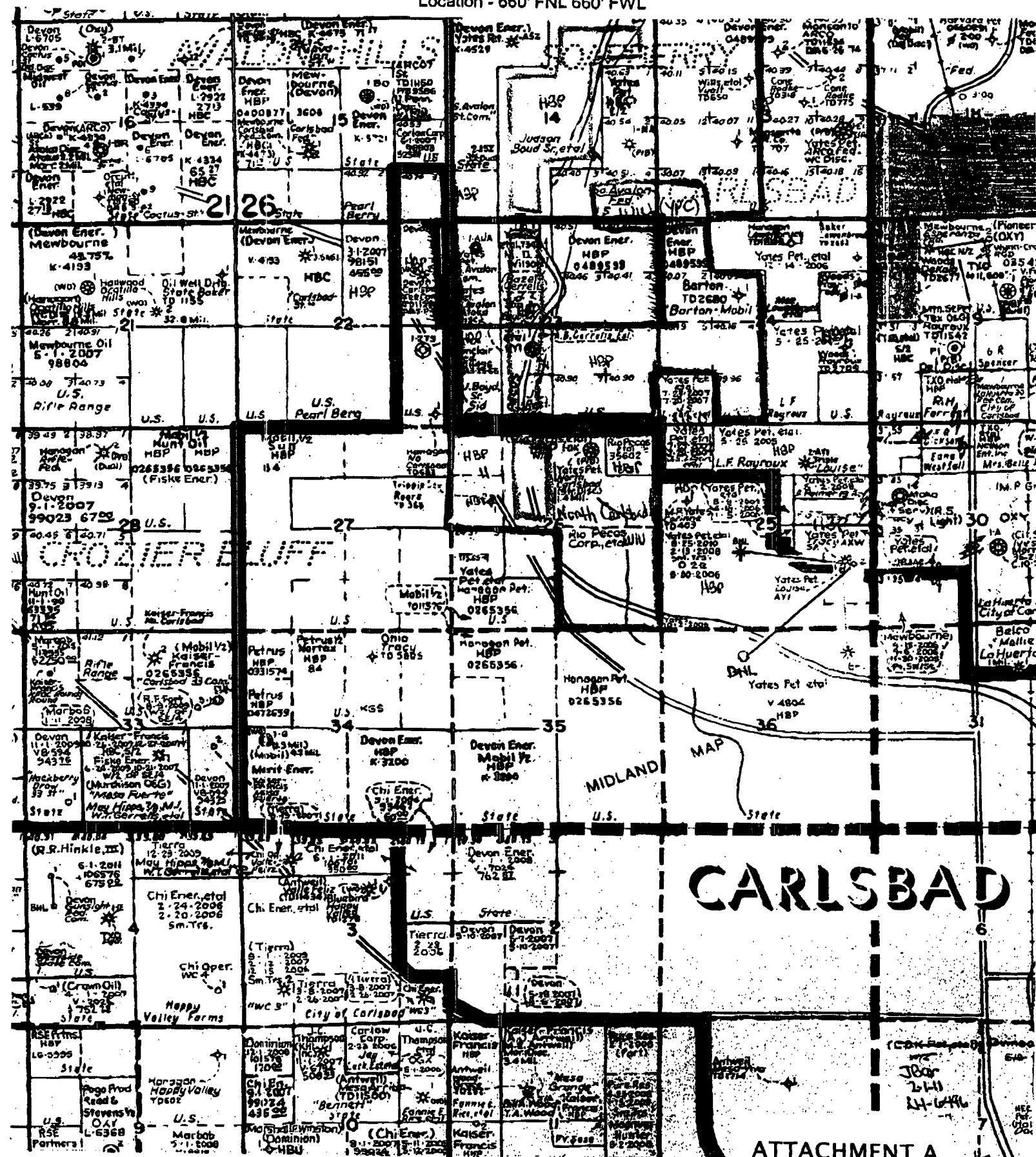


Exhibit "B"
Ownership Interests

N2 Section 23, Township 21 South, Range 26 East
Containing 321.84 acres, more or less
Eddy County, New Mexico

Acreage Type	Description	Acreage	Mineral Owner/Lessor
Federal Lease NM-0489599	Lots 1,2,3,4 (NE/4)	161.84	USA
Leased Minerals	W2NW	80	The Carlsbad National Bank and Olive S. Boyd, trustees u/w/o Judson Boyd, Sr., deceased, and Olive S. Boyd, individually
Leased Minerals	NENENW East of the middle of the Pecos River	6.21	Marion G. Corman
Leased Minerals	E2NW lying West of the middle of the Pecos River	57.79	Bettye M. Gissinger, Virginia Thornton, Lois Thornton, Samuel Y. Stennis, Hampton J. Stennis, Jennie Stennis Howard, Shirley Stennis
Unleased Minerals	E2NW lying East of the middle of the Pecos River	16	Pearl C. Colony and Lizzie G. Colony, Albert Lang, Lizzie M. Stephenson, Alma Green and William Heckman
		321.84	

The Working Interest Owners and Percentages for the N/2 of Section 23 are shown as follows:

A30 PETROLEUM CORPORATION	2.03270%
CHEVRON MIDCONTINENT LP	4.06550%
MYCO INDUSTRIES, INC.	4.74300%
NEW TEX OIL COMPANY	1.03211%
OXY USA WTP LIMITED	43.55540%
SACRAMENTO PARTNERS LIMITED	2.49450%
SHARBRO OIL LTD. CO.	6.42430%
TRUST Q U/W/O PEGGY A. YATES	4.56730%
WILSON, MARK	5.00000%
YATES DRILLING COMPANY	7.44710%
YATES PETROLEUM CORPORATION	12.84509%
YATES, JOHN A.	4.56730%
YATES, JUDY	0.25410%
YATES, PEYTON	0.25410%
YATES, RICHARD	0.71750%
	<u>100.00000%</u>

ATTACHMENT B

LEGAL NOTICE

agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:

All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 13722:

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause

seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 23, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Burton Flat-Morrow Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and the NW/4 NW/4 for all formations and/or pools developed on 40-acre spacing. Said units are to be dedicated to its South Avalon "AJUA" Com. Well No. 1 that has been drilled at a standard gas well location 660 feet from the North and West lines (Unit D) of said Section 23 to an approximate depth of 11,300 feet to test any and all formations from the surface to the base of the Morrow. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Yates Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 1 mile north of the northern city limits of Carlsbad, New Mexico. Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 11th day of May 2006.

STATE OF NEW MEXICO**OIL CONSERVATION DIVISION**

Mark E. Fesmire, P.E.,
Director

Published in the Artesia Daily Press, Artesia, N.M. May 12, 2006.

Legal 19261

Affidavit of Publication

NO. 19261

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn, says: That he is the **Publisher** of The

Artesia Daily Press, a daily newspaper of general

circulation, published in English at Artesia, said county

and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said

Artesia Daily Press, a daily newspaper duly qualified

for that purpose within the meaning of Chapter 167 of

the 1937 Session Laws of the state of New Mexico for

1 Consecutiv week/days on the same

day as follows:

First Publication May 12 2006

Second Publication

Third Publication

Fourth Publication


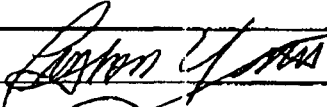
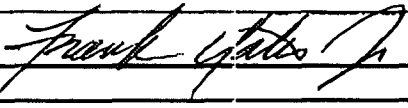
Copy of Publi

**NOTICE OF
PUBLICATION
STATE OF NEW
MEXICO
ENERGY, MINERALS
AND NATURAL
RESOURCES
DEPARTMENT
OIL CONSERVATION
DIVISION
SANTA FE,
NEW MEXICO**

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on June 8, 2006 in the Oil

South Avalon AUA State Com #1
Eddy County, New Mexico

AFE # 99-548-0
AFE Date: December 15, 1999
Page 2

JOHN A. YATES TRUST Q U/W PEGGY A. YATES	4.567300% 4.567300%
BY  DATE	
PEYTON YATES SACRAMENTO PARTNERS LIMITED PARTNERSHIP RICHARD YATES	0.254100% 2.494500% 0.717500%
BY  DATE	
SHARBRO OIL LTD. CO. ESTATE OF LILLIE M. YATES	3.21215% 3.212150%
BY  DATE	
JUDY H. YATES	0.254100%
BY DATE	
DEVON ENERGY CORPORATION	38.621800%
BY DATE	
MARK WILSON	5.000000%
BY DATE	
OXY U.S.A., INC.	4.933600%
BY DATE	
TITAN RESOURCES	4.065500%
BY DATE	
BY DATE	
BY DATE	
NEW-TEX OIL COMPANY	1.032110%
BY DATE	

Attachment "C"



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO.

99-548-0

AFE DATE

12/15/99

AFEND (REV 5/88)

AFE Type:

<input checked="" type="checkbox"/>	New Drilling
<input type="checkbox"/>	Recompletion
<input type="checkbox"/>	Re-entry

Well Objective:

<input checked="" type="checkbox"/>	Oil
<input checked="" type="checkbox"/>	Gas
<input type="checkbox"/>	Injector

Well Type:

<input checked="" type="checkbox"/>	Development
<input type="checkbox"/>	Exploratory

AFE STATUS:

<input checked="" type="checkbox"/>	Original
<input type="checkbox"/>	Revised
<input type="checkbox"/>	Final
<input type="checkbox"/>	Supplemental

LEASE NAME
COUNTY
FIELD
LOCATION

South Avalon AUA Com. #1

Eddy

PROJ'D DEPTH

11,300'

STATE

New Mexico

HORIZON

Morrow

Section 23 T21S-R26E, 660' N & W

DIVISION CODE
DISTRICT CODE
BRANCH CODE

100

DIVISION NAME
DISTRICT NAME
BRANCH NAME

Oil & Gas Division

PROGNOSIS:

INTANGIBLE DRILLING COSTS:

		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	15,000	15,000
920-120	Drilling, Footage 11,300' @ \$24.00/ft	287,500	287,500
920-130	Drilling, Daywork 4 days @ \$5,700/day	24,000	24,000
920-140	Drilling Water, Fastline Rental	28,000	28,000
920-150	Drilling Mud & Additives	38,000	38,000
920-160	Mud Logging Unit, Sample Bags	20,000	20,000
920-170	Cementing - Surface Casing	40,000	40,000
920-180	Drill Stem Testing, OHT 1 dst	5,000	5,000
920-190	Electric Logs & Tape Copies	23,000	23,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	20,000	20,000
920-205	Control of Well-Insurance	3,850	3,850
920-210	Supervision & Overhead	20,000	20,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase		500
920-350	Cementing - Production Casing		36,000
920-410	Completion Unit - Swabbing		40,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		0
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		35,000
920-470	Stimulation for Completion		75,000
920-480	Supervision & O/H - Completion		6,000
920-490	Additional LOC Charges - Completion		1,200
920-510	Bits, Tools & Supplies - Completion		5,000
920-500	Contingency for Completion		

TOTAL INTANGIBLE DRILLING COSTS

527,350

752,050

TANGIBLE EQUIPMENT COSTS:

930-010	Christmas Tree & Wellhead	5,000	29,000
930-020	Casing 13 3/8" @ 600'	11,000	11,000
	8 5/8" @ 2,200'	21,000	21,000
	5 1/2" @ 11,300'		92,000
930-030	Tubing 2 7/8" @ 11,100'		34,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		30,000
940-040	Trucking & Construction Costs		10,000

TOTAL TANGIBLE EQUIPMENT COSTS

37,000

242,000

TOTAL COSTS

564,350

994,050

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH
TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

JR

Prepared By	Cory Frederick	Operations Approval	
-------------	----------------	---------------------	--

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

BY *[Signature]* DATE

12.84509%

7.44710%

YATES PETROLEUM CORPORATION

BY *[Signature]* DATE

2.03270%

MYCO INDUSTRIES, INC.

BY *[Signature]* DATE

4.74300%

BY *[Signature]* DATE

ATTACHMENT C