

RECEIVED

JAN 12 2005

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

OIL CONSERVATION

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

EFFECTIVE	CASE NO. 13388	2220.03	2220.03	0	0		STRICT	5 YEARS SO LONG AS
01/10/2005	ORDER NO. R-12243							

APPROVALS

SLO--01-10-2005
OCD--12-16-2004

TOWNSHIP 12 SOUTH, RANGE 35 EAST

SECTION 17: ALL
SECTION 18: LOTS 1-4, E/2W/2, E/2
SECTION 19: LOTS 3-4, E/2SW/4, SE/4
SECTION 20: ALL

8833 /

EXHIBIT "B"
Azure State Unit

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1.	T12S-R35E Sec. 17: N2 Lea County, NM	320.00	VO-6021 - 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co. <i>10/28/09</i>
2.	T12S-R35E Sec. 17: S2 Lea County, NM	320.00	VO-6006 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
3.	T12S-R35E Sec 18: Lots 1, 2, 3, 4, E2W2 Lea County, NM	306.40	VO-6007 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
4.	T12S-R35E Sec 18: E2 Lea County, NM	320.00	VO-6022 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
5.	T12S-R35E Sec 19: Lots 3, 4, E2SW4, SE4 Lea County, NM	313.63	VO-6008 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
6.	T12S-R35E Sec 20: N2 Lea County, NM	320.00	VA-2261 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
7.	T12S-R35E Sec 20: S2 Lea County, NM	320.00	VA-2240 11/1/05	State of New Mexico 1/8	Yates Petroleum Corporation <i>10/28/09</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co.
TOTAL 2220.03 ACRES - 100% STATE LANDS							



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JAN 12 2005

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

OIL CONSERVATION
DIVISION COMMISSIONER'S OFFICE

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

January 10, 2005

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

Attn: Mr. Robert Bullock

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

Dear Mr. Bullock:

This office is in receipt of your letter of December 27, 2004 and January 4, 2005, requesting final approval of the Azure 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 Azure State Exploratory Unit Agreement. The effective date of your agreement is January 10, 2005.

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

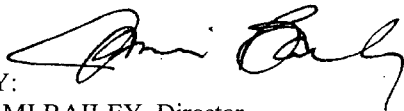
Enclosed are (5) Certificates of Approval.

Your \$120.00 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, Director,
Oil, Gas and 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: Mr. Kurt McFall

-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 Reservoirs • Western New Mexico University