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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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www.nmstatelands.org

2006 JUL 21 PM 2 27

July 20, 2006

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

Attention: Mr. Robert Bullock

Re: Notice of Termination
Statler State Unit
Lea County, New Mexico

Dear Mr. Bullock:

By our letter of January 9, 2006 Yates Petroleum Corporation was granted a drilling extension to July 17, 2006 to either commence drilling operations on the Statler Well No. 2 or terminate the unit agreement.

In your conversation with this office, on July 18, 2006, you advised that the Well No. 2 was not timely commenced and will not be drilled.

Pursuant to Article 8 of the Statler State Unit Agreement, please be advised that this office has terminated the Statler State Unit Agreement effective July 18, 2006.

Please notify all interested parties of this action.

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, Commissioner's File
NMOCD Attention: Mr. Roy Johnson
TRD-Attention: Mr. Valdean Severson
RMD-Attn: Ms. Linda Vieira

-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

UNIT NAME: STATLER 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		(Committed Acreage)					
05/18/2004		3839.60	3839.60	0	0	STRICT	5 YEARS SO LONG AS

APPROVALS

~~SD~~--05-18-2004

OCD--05-10-2004 CASE NO. 13233

2 ORDER NO. R-12140

PM

TOWNSHIP 11 SOUTH, RANGE 35 EAST

SECTION 33: S/2

SECTION 34: ALL

SECTION 35: W/2

~~SD~~
TOWNSHIP 12 SOUTH, 35 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 9: ALL

SECTION 10: ALL

TERMINATED
EFFECTIVE DATE <u>7-18-06</u>
APPROVAL DATE <u>7-20-06</u>

EXHIBIT A

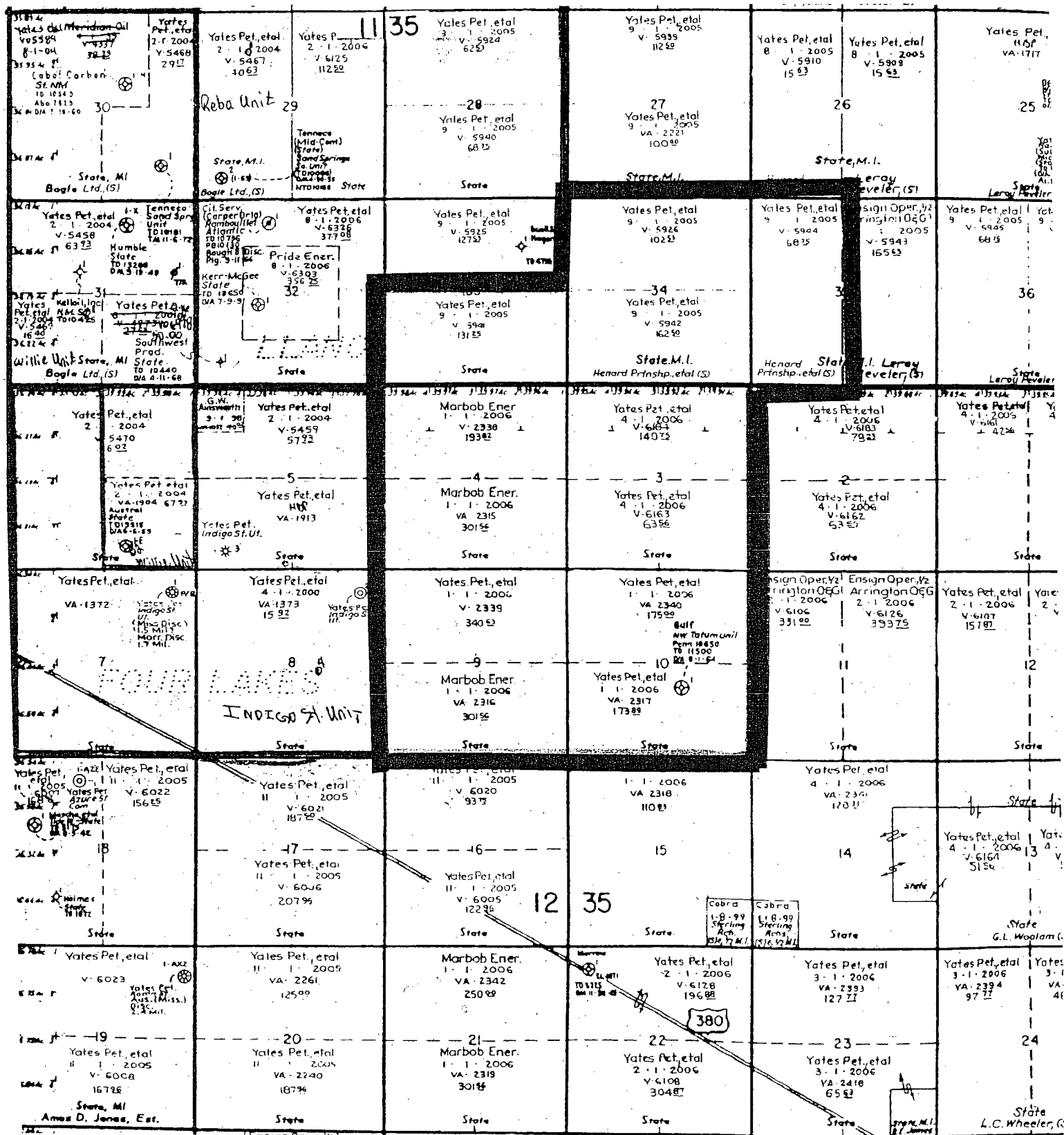


EXHIBIT "B"
STATLER STATE EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1.	T11S, R35E Sec. 33, S2 Lea County, NM	320.00	VO-5941 9/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Marbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
2.	T11S, R35E Sec. 34, N2 Lea County, NM	320.00	VO-5928 9/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Marbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
3.	T11S, R35E Sec. 34, S2 Lea County, NM	320.00	VO-5942 9/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Marbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
4.	T11S, R35E Sec. 35, W2 Lea County, NM	320.00	VO-5944 9/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Marbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
5.	T12S, R35E Sec. 4, Lots 1, 2, 3, 4, S2N2 (N2) Lea County, NM	319.88	VA-2338 12/1/05	State of New Mexico 1/6	Marbob Energy Corporation	None	Marbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
6.	T12S, R35E Sec. 4, S2 Lea County, NM	320.00	VA-2315 12/1/05	State of New Mexico 1/6	Marbob Energy Corporation	None	Marbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%

EXHIBIT "B"
STATLER STATE EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST	
7.	<u>T12S, R35E</u> Sec. 3: Lots 1, 2, 3, 4, S2N2 (N2) Lea County, NM	319.72	VO-6184 4/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Matbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
8.	<u>T12S, R35E</u> Sec. 3: S2 Lea County, NM	320.00	VO-6163 4/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Matbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
9.	<u>T12S, R35E</u> Sec. 9: N2 Lea County, NM	320.00	VA-2339 12/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Matbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
10.	<u>T12S, R35E</u> Sec. 9: S2 Lea County, NM	320.00	VA-2316 12/1/05	State of New Mexico 1/8	Matbob Energy Corporation Pitch Energy Corporation	50% 50%	Matbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
11.	<u>T12S, R35E</u> Sec. 10: N2 Lea County, NM	320.00	VA-2340 12/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Matbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
12.	<u>T12S, R35E</u> Sec. 10: S2 Lea County, NM	320.00	VA-2317 12/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Matbob Energy Corporation Pitch Energy Corporation Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	12.57845% 22.01305% 45.78595% 6.54085% 6.54085% 6.54085%
<u>TOTAL ACRES</u>		3839.60						
<u>STATELANDS</u>		100%						