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

RECEIVED

OCT 2 9 2003

OIL CONSERVATION

DIVISION 140

October 27, 2003

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

Attention: Ms. Janet Richardson

Preliminary Approval Re: Proposed Samuel Smith Federal State Exploratory Unit Eddy County, New Mexico

Dear.Ms. Richardson:

This office has received the unexecuted copy of the unit agreement which you have submitted for the proposed Samuel Smith Federal 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.

Our preliminary approval is given with the condition that an offset well be drilled in the E/2 of Section 32, Township 23 South, Range 24 East should the initial well, being drilled in the W/2 of Section 33, Township 23 South, Range 24 East, be completed as a commercial producer.

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:
 - That such agreement will tend to promote the conservation of oil and gas and the better a. 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.
 - That each beneficiary institution of the State of New Mexico will receive its fair and C. 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.
 - 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.





PATRICK H. LYONS COMMISSIONER

State of New Mexico Commissioner of Public Lands

Yates Petroleum Corporation October 27, 2003 Page 2

- 4. Order of the New Mexico Oil Conservation Division and Designation from the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
- 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. A filing fee in the amount of \$360.00.
- 9. On Exhibit "A", please correct the Townships from 24 S to 23 S and 25 S to 24 S.
- 10. On Exhibit "B", Tract Nos. 16 and 17, the correct lessee of record is Yates Petroleum Corporation.
- 11. On Exhibit "B", Tract No. 18, the correct acreage is 320.99, the correct lease number is VA-807, and the correct lessee of record is M. J. Harvey, Jr.
- 12. On Exhibit "B", the recapitulation should reflect the correct State acreage (320.99), totals and updated percentages.

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 BLM-Roswell, Attention: Mr. Armando Lopez



United States Department of the Interior

BUREAU OF LAND MANAGEMENT **ROSWELL FIELD OFFICE** 2909 West Second Street Roswell, New Mexico 88201-2019

IN REPLY REFER NMNM109714X 3180 (06300)

ECENEI FEB 23 2004

Oil Conservation Landica

1220 S. Saint Francis Deve

Santa Fe, NM 87

FEB 1 9 2004

Yates Petroleum Corporation Attention: Janet Richardson 105 S. Fourth Street Artesia, NM 88210-2118

Dear Ms. Richardson:

One approved copy of the Samuel Smith Unit Agreement, No. NMNM109714X, Eddy County, New Mexico, is enclosed. Such agreement is effective as of the date of approval.

Pursuant to 43 CFR 3183.4(b) and Section 9 of the unit agreement, if the Public Interest Requirement is not fulfilled, the unit will be declared invalid and no lease committed to this agreement shall receive the benefits of 43 CFR 3107.3-2 and 3107.4.

Approval of the agreement does not warrant or certify that the operator thereof and other working interest owners hold legal or equitable title to the leases which are committed hereto.

You are requested to furnish all interested principals with appropriate evidence of this approval.

Sincerely,

/S/ Larry D. Bray

Larry D. Bray Assistant Field Manager, Lands and Minerals

Enclosure

cc: MMS, Denver (MS357B-1,G. Reyer/C. Collins) Commissioner of Public Lands, Santa Fe NMOCD, Santa Fe

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CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. sec 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

- A. Approve the attached agreement for the development and operation of the Samuel Smith Unit Area, State of New Mexico. This approval shall be invalid ab initio if the public interest requirement under '3183.4(b) of this title is not met.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of all Federal leases committed to said Agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of this agreement.

Dated: February 19, 2004

ISI Larry D. Bray

Authorized Officer Bureau of Land Management

Contract No.: NMNM109714X





FEB 23 2004 State of New Mexico COMMISSIQUERS. Saint Francis Drive Ommissioner of Public Lands

Santa Fe. NM 87505

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

February 20, 2004

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

Attn: Mr. Janet Richardson

Re: Final Approval Samuel Smith Exploratory Unit Eddy County, New Mexico

Dear Ms. Richardson:

This office is in receipt of your letter of February 16, 2004, requesting final approval for the Samuel Smith Exploratory Unit Agreement, Eddy County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Samuel Smith Exploratory Unit Agreement, Eddy County, New Mexico. Our approval is subject to like approval by the Bureau of Land Management and the New Mexico Oil Conservation Division.

Pursuant to your letter of February 16, 2004, it is our understanding that Tract Nos. 1, 18 and 19 are not committed to the unit agreement at this time.

Enclosed are (5) Certificates of Approval.

Your \$360.00 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: Ms. Linda Vieira BLM-Attn: Mr. Armando Lopez



PATRICK H. LYONS COMMISSIONER

State of New Mexico Commissioner of Public Lands

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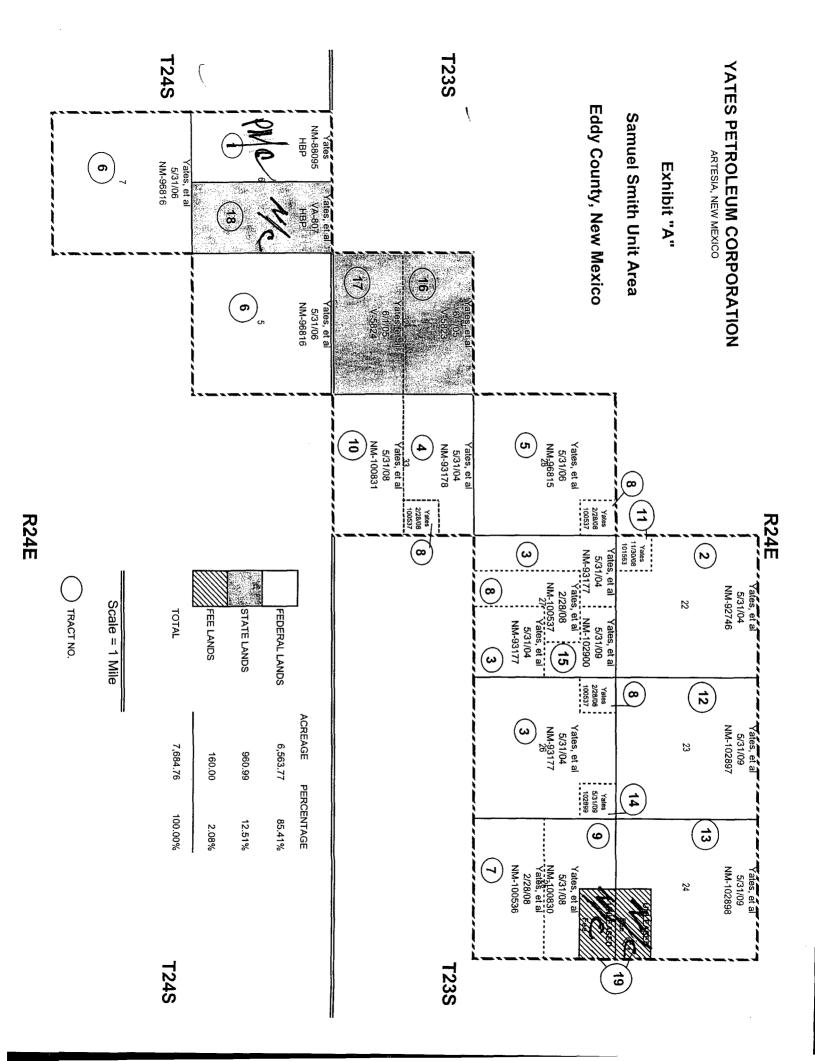
PATRICK H. LYONS COMMISSIONER OF PUBLIC LANDS

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					5 YEARS SO LONG AS	TERM	
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EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS SAMUEL SMITH UNIT AREA

14 <u>T23S, R24E, N.M.P.M.</u>	13 <u>T23S, R24E, N.M.P.M.</u> Sec. 24: N2, SW, N2SE	12 <u>T23S, R24E, N.M.P.M.</u> Sec. 23: All	11 <u>T23S, R24E, N.M.P.M.</u>	10 <u>T235, R24E, NMPM</u>	9 <u>T235, R24E_N.M.P.M.</u> Sec. 25: N2NW, S2N2	8 T235, R24E, N.M.P.M. Sec. 26: NWNW Sec. 27: SWNE, SENW, E2SW Sec. 28: NENE Sec. 33: SENE	7 <u>T23S, R24E, N.M.P.M.</u> Sec. 25: S2	TRACT DESCRIPTION NO. OF LAND	÷
40.00	560.00	640.00	40.00	320.00	240.00	280.00	320.00	NUMBER OF ACRES	
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U.S.A 12.5%	U.S.A 12.5%	U.S.A 12.5%	U.S. A 12.5%	U.S.A 12.5%	U.S.A 12.5%	U.S.A 12.5%	U.S.A 12.5%	BASIC ROYALTY AND PERCENTAGE	
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EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS SAMUEL SMITH UNIT AREA

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RECEIVE

State of New Mexico State of Public Landsoil Conservation Flow (505) 827-5766 1220 S. Saint Francis Opposite lands.org

SANTA FE, NEW MEXICO 87504-1148

JAN COM 2015 SIONER'S OFFICE

Santa Fe, NM 87505

PATRICK H. LYONS COMMISSIONER

January 18, 2005

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

Attention: Ms. Janet Richardson

Samuel Smith Unit Well No. 1 Re: Initial Morrow Participating Area Effective June 17, 2004 W/2 Sec. 33-23S-24E Eddy County, New Mexico

Dear Ms. Richardson:

We are in receipt of your letter of December 17, 2004 together with your application for approval of the initial Morrow participating area for the Samuel Smith Unit Area, Eddy County, New Mexico

The Bureau of Land Management approved the above referenced participating area by their letter of January 11, 2005.

The Commissioner of Public Lands concurs with the Bureau of Land Management and has this date approved the above-referenced initial Morrow participating area effective June 17, 2004. 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, OCD-Attention: Mr. Roy Johnson BLM-Roswell - Attn: Mr. Armando Lopez TRD-Attention: Mr. Valdean Severson RMD-Attention: 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



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

January 4, 2005

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

Attention: Ms. Janet Richardson

Re: Samuel Smith Unit Well No. 1 1400' FSL, 1170' FEL Sec. 32-23S-24E (surface location) 1000' FSL, 760' FWL Sec. 33-23S-24E (bottom hole location) Commerciality Determination - Morrow Formation Eddy County, New Mexico

Dear Ms. Richardson:

We are in receipt of your letter of December 17, 2004 and a copy of the Bureau of Land Management's letter of August 17, 2004 regarding the above referenced commerciality determination for the Samuel Smith Unit Well No. 1.

We concur with the Bureau of Land Managements determination that the Samuel Smith Unit Well No. 1 is a commercial well in the Morrow formation and should be included in the initial Morrow participating area.

Your application for the initial Morrow participating area has been received and is currently under review. Please notify this office when the BLM approves your application for the initial Morrow participating area.

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

JAMI BAILEY, Director Oil, Gas and Minerals Division (505) 827-5744 PL/JB/pm pc: Reader File

Reader File BLM-Roswell Attn: Mr. Armando Lopez QCD-Santa Fe Attn: Mr. Roy Johnson TRD-Attn: Mr. Valdean Severson RMD-Linda Vieira

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COMMISSIONER'S OFFICE

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