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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

March 8, 2006

Yates Petroleum Corporation  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2118

Attn: Mr. Robert Asher

Re: 2006 Plan of Development  
Mortar State Unit  
Chaves County, New Mexico

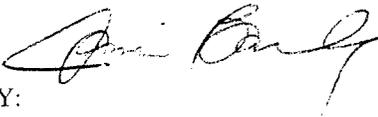
Dear Mr. Asher:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

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/cpm  
xc: Reader File

OCD

**-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 • Santa Fe Public Commission • University of New Mexico • UNM Salina Lands • Water Reservoirs • Western New Mexico University



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February 17, 2006

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

Attn: Mr. Robert Asher

Re: Mortar State Unit Well No. 1  
SE4NW/4 Sec. 25-8S-27E  
Commercial Well Determination  
Chaves County, New Mexico

Dear Mr. Asher:

We received your letter of February 15, 2006 together with data that supports your commercial determination regarding the Mortar State Unit Well No. 1.

The Commissioner of Public Lands concurs with Yates Petroleum Corporation's determination that the above-mentioned well is a commercial well in the Siluro-Ordovician formation.

Your 2006 Plan of Development has also been received and is being reviewed.

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

2006 FEB 22 PM 1 22

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September 21, 2005

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

Attention: Mr. Chuck Moran

Re: Preliminary Approval  
Proposed Mortar State Exploratory Unit  
Chaves County, New Mexico

Dear Mr. Moran:

Thank you for providing the unexecuted copy of the unit agreement, for the proposed Mortar State Exploratory Unit area, Chaves 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 should 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 stating the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to 19.2.100.51 NMAC 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.
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.

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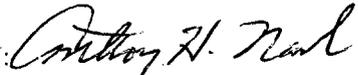
Yates Petroleum Corporation  
September 21, 2005  
Page 2

4. Order of the New Mexico Oil Conservation Division (OCD). Our approval will be conditioned upon subsequent favorable approval by the OCD.
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 and any subsequent well.
8. The filing fee for a unit agreement is thirty dollars (\$30) for every section or partial section thereof; therefore a \$90 filing fee is required.

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



State of New Mexico  
Commissioner of Public Lands

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PATRICK H. LYONS  
COMMISSIONER

RECEIVED

OCT 3 2005

OIL CONSERVATION  
DIVISION

September 29, 2005

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

Attn: Mr. Chuck Moran

Re: Final Approval  
Mortar State Unit  
Chaves County, New Mexico

Dear Mr. Moran:

Thank you for your letter of September 28, 2005 requesting final approval of the Mortar State Unit Agreement, Chaves County, New Mexico.

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

The Commissioner of Public Lands has this date granted final approval to the Mortar State Unit Agreement effective September 29, 2005.

Enclosed are five (5) Certificates of Approval.

Your \$90.00 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  
Oil, Gas & 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  
Mr. William F. Carr

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UNIT NAME: MORTAR STATE EXPLORATORY UNIT  
 OPERATOR: YATES PETROLEUM CORPORATION  
 COUNTY: CHAVES

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 09/29/2005	CASE NO. 13559 ORDER NO. R-12434	1600.00	1600.00	0	0	STRICT	5 YEARS SO LONG AS

APPROVALS

SLO--09-29-2005  
 OCD--09-27-2005

TOWNSHIP 08 SOUTH, RANGE 27 EAST

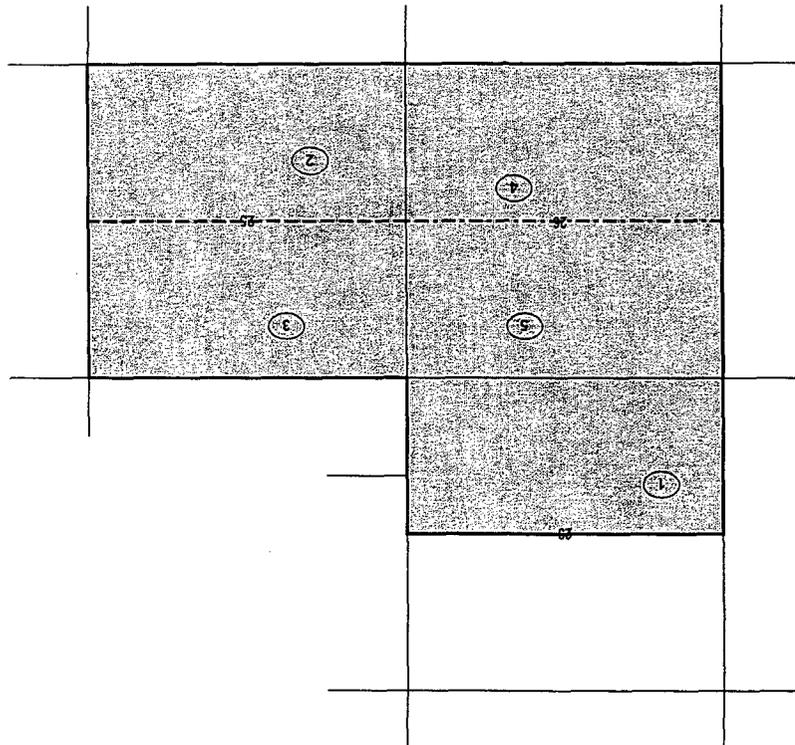
SECTION 23: S/2  
 SECTION 25: ALL  
 SECTION 26: ALL

**EXHIBIT "A"**

**Yates Petroleum Corporation**

**Mortar State Unit Area**

**Township 8 South, Range 27 East, N.M.P.M.  
Chaves County, New Mexico**



Indicates Unit Area  
Scale 2 inches = 1 mile  
# Tract number

**Exhibit B  
Mortar State Unit  
Chaves County, New Mexico**

Tract No.	Lessor	Description of Land Township 8 South - Range 27 East N.M.P.M.	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessee of Record/ Original Lessee	% and Percentage	Overriding Royalty and Percentage	% and Percentage	Working Interest Owner and Percentage	%
1	State of New Mexico	Sec. 23: S/2	320	VO-5963	10/1/2005	1/6	Yates Petroleum Corporation	100%	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%
2	State of New Mexico	Sec. 25: S/2	320	VO-6134	3/1/2006	1/6	Yates Petroleum Corporation	100%	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. Elk Oil Company	42.00% 6.00% 6.00% 6.00% 40.00%
3	State of New Mexico	Sec. 25: N/2	320	VO-6139	3/1/2006	1/6	Yates Petroleum Corporation	100%	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. Elk Oil Company	42.00% 6.00% 6.00% 6.00% 40.00%
4	State of New Mexico	Sec. 26: S/2	320	VO-6135	3/1/2006	1/6	Yates Petroleum Corporation	100%	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. Elk Oil Company	42.00% 6.00% 6.00% 6.00% 40.00%
5	State of New Mexico	Sec. 26: N/2	320	VO-6140	3/1/2006	1/6	Yates Petroleum Corporation	100%	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. Elk Oil Company	42.00% 6.00% 6.00% 6.00% 40.00%

Total State Acres

1600