

6. Yates has conducted a diligent search to locate these interest owners: Pearl Jo Ann H. Means, Individually and heir of W. Major Harris and Josephine Harris; J. David Amundson; Shirley Spaulding, Executrix of Estate of Guy Bonham; Fred F. Keefer III; E.J. Schultz; and Janie Potect. Yates has made the following attempts to find these interest owners:

- a. Yates searched Lea County records for conveyances or other instruments affecting title;
- b. Yates also performed an internet search for each mineral owner;
- c. Yates searched national phone databases to attempt to locate each mineral owner; and
- d. Yates interviewed other royalty owners to locate the mineral owners.

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 \$6200 per month while drilling and \$ 620 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 W/2 of Section 33 an opportunity to obtain their just and fair share of the oil and gas under the subject lands.

FURTHER AFFIANT SAYETH NOT.

Robert Bullock

SUBSCRIBED AND SWORN before me on this 24 day of October 2006.

Barbara Nelson
Notary Public

My Commission Expires:
1-8-08

 OFFICIAL SEAL
Barbara Nelson
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires: 1-8-08

<p>C.B. Read, M.I. C.L. Johnson</p> <p>Trobaugh 2 Wood Pet. et al 2068</p> <p>Sulpetra Wood Oil TD 9870</p> <p>Ann J. Smith, S & MI</p> <p>29 Yates Pet. et al 6 1 2010 104698 130 08</p> <p>1-BIX Joe W. Smith (S)</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p> <p>Western States Equip. Hutcherson</p> <p>27 (OXY) HBP Penroc Oil</p> <p>Penroc "A.T." Hutcherson MI P282 Caswell Cattle Co.</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>
<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>
<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>	<p>C.L. Johnson</p> <p>Yates Pet. et al 6 5-2010</p>

WOMACK
Sec 33-95-34E

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED APRIL 21, 2005.

EXHIBIT "A"

I. Lands Subject to Agreement:

Township 9 South, Range 34 East, NMPM
 Section 33: W2
 Lea County, New Mexico

II. Depth Restriction:

From surface to 100' below total depth drilled in the
 Initial Test Well defined in Article VI.A herein

III. Interests of Parties Under the Agreement:

	<u>Interest in W/2 Unit</u>	<u>Before Recoupment of Non-consent Penalty</u>	<u>After Recoupment of Non-consent Penalty</u>
The Blanco Company	7.812500%	7.812500%	7.812500%
A. Lee Pfluger Children's Trust	1.562500%	1.562500%	1.562500%
Yates Petroleum Corporation	35.948680%	36.250000%	35.948680%
Yates Drilling Company	17.974340%	18.125000%	17.974340%
Abo Petroleum Corporation	17.974340%	18.125000%	17.974340%
Myco Industries, Inc.	17.974340%	18.125000%	17.974340%
Fred F. Koefler III	0.082200%	0%	0.082200%
E.J. Schultz	0.020600%	0%	0.020600%
J. David Amundson	0.082200%	0%	0.082200%
Estate of Cruy Bonham, dec	0.123400%	0%	0.123400%
Janie Poteet	0.032900%	0%	0.032900%
Jo Ann H. Means, sole & separate property and successor in interest to <u>Josephine Harris & W. Majors Harris</u>	0.412000%	0%	0.412000%
	100.000000%	100.0000%	100.000000%

ATTACHMENT B



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

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 05-127-0
AFE DATE 12/15/2005

AFEND (from BRB) 12-15-05

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

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

LEASE NAME	Womack BGW #1	PROJ'D DEPTH	12,440'
COUNTY	Lea	STATE	New Mexico
FIELD		HORIZON	Austin
LOCATION	Section 33 T9S-R34E, 810' S & 660' W		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: New well drilled to 12,440' to test the Atoka, Morrow, and Austin formations.

INTANGIBLE DRILLING COSTS:	DRY HOLE	COMP'D WELL
920-100 Staking, Permit & Legal Fees	4,000	4,000
920-110 Location, Right-of-Way	60,000	60,000
920-120 Drilling, Footage		
920-130 Drilling, Daywork & fuel 46 days @ \$17,000/day + \$45,000 mob	876,500	876,500
920-140 Drilling Water, Fasline Rental	25,000	25,000
920-150 Drilling Mud & Additives	125,000	125,000
920-160 Mud Logging Unit, Sample Bags	30,000	30,000
920-170 Cementing - Surface Casing	65,000	65,000
920-180 Drill Stem Testing, OHT		
920-190 Electric Logs & Tape Copies	65,000	65,000
920-200 Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205 Control of Well-Insurance	5,000	5,000
920-210 Supervision & Overhead	48,000	46,000
920-230 Coring, Tools & Service		
920-240 Bits, Tool & Supplies Purchase	60,000	60,000
920-350 Cementing - Production Casing		80,000
920-410 Completion Unit - Swabbing		60,000
920-420 Water for Completion		5,000
920-430 Mud & Additives for Completion		
920-440 Cementing - Completion		
920-450 Elec. Logs, Testing, Etc. - Completion		25,000
920-460 Tools & Equip. Rental, Etc. - Completion		40,000
920-470 Stimulation for Completion		200,000
920-480 Supervision & O/H - Completion		13,000
920-490 Additional LOC Charges - Completion	140,000	140,000
920-510 Bits, Tools & Supplies - Completion		1,000
920-500 Contingency for Completion	100,000	150,000
TOTAL INTANGIBLE DRILLING COSTS	1,726,500	2,200,500

TANGIBLE EQUIPMENT COSTS:	DRY HOLE	COMP'D WELL
930-010 Christmas Tree & Wellhead	5,000	22,000
930-020 Casing 13 3/8" @ 400'	13,800	13,800
9 5/8" @ 4,150'	111,500	111,500
5 1/2" @ 12,440'		190,000
930-030 Tubing 2 7/8" @ 12,250'		72,000
930-040 Packer & Special Equipment		
940-010 Pumping Equipment		
940-020 Storage Facilities		15,000
940-030 Separation Equip., Flowlines, Misc.		35,000
940-040 Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS	130,300	474,300

TOTAL COSTS 1,856,800 2,674,800

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.

Prepared By RB Jeremiah Mullen	Operations Approval
-----------------------------------	---------------------

YATES PETROLEUM CORPORATION BY: [Signature] DATE 9-20-06	35.625000%
---	------------

YATES DRILLING COMPANY BY: [Signature] DATE 9-20-06	17.812500%
--	------------

ABC PETROLEUM CORPORATION BY: [Signature] DATE 9-20-06	17.812500%
---	------------

MYCO INDUSTRIES, INC. BY: [Signature] DATE 9-20-06	17.812500%
---	------------

ATTACHMENT C

WOMACK BGW #1
Sec. 33-T9S-R34E
Lea County, New Mexico

AFE #05-127-0
Date: 12-15-2005
Page 2

		SHARE
THE BLANCO COMPANY		7.812500
By: _____	DATE _____	
A. LEE PFLUGER CHILDREN'S TRUST		1.562500
By: _____	DATE _____	
WILLIAM CARL PFLUGER CHILDREN'S TRUST		1.562500
By: _____	DATE _____	
TOTAL		100.000000

Mail Returned

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL MAIL
SANTA FE, NM

WFC Yates Postage Womack	\$	2.40
Certified Fee		1.85
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	



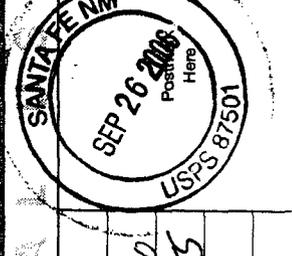
Sent To J. David Amundson
 Street, Apt. No. P. O. Box 783
 or PO Box No. Franklin, NC 28734-0783
 City, State, ZIP PS Form 3800

9968 8556 2000 0147 7002

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL MAIL
SANTA FE, NM

WFC Yates Postage Womack	\$	2.40
Certified Fee		1.85
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	



Sent To Fred F. Keefer III
 Street, Apt. No. 13511 Cherry Tree Circle
 or PO Box No. Hagerstown, MD 21742
 City, State, ZIP PS Form 3800

9906 8556 2000 0147 7002

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL USE

Postage \$ 1.87
 Certified Fee 2.40
 Return Receipt Fee 1.85
 Restricted Delivery Fee 5.12
 (Endorsement Required)

Total Postage & Fees \$ 11.24

Sent To Jo Ann H. Means, Individually
 and heir of W. Major Harris and
 Josephine Harris
 or PO Box No. 501 W. 10th Street, Suite 201
 City, State, Zi. Ft. Worth, TX 76102

PS Form 3800, 3/06



U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

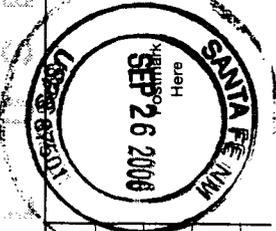
OFFICIAL USE

Postage \$ 2.40
 Certified Fee 1.85
 Return Receipt Fee
 Restricted Delivery Fee

Total Postage & Fees \$

Sent To Janie Poteet
 or PO Box No. 1305 Memorial Drive
 City, State, ZIP+ 4 Baytown, TX 77520-2417

PS Form 3800, 3/06



SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Jo Ann H. Means, Individually
 and heir of W. Major Harris and
 Josephine Harris
 501 W. 10th Street, Suite 201
 Ft. Worth, TX 76102

2. Article Number () 7001 1140 0002 9558 8971
 Domestic Return Receipt
 PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) DIANA G. TRACY B. Date of Delivery 8/29/06
 C. Signature [Signature] D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: Agent Addressee

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

102595-00-M-0952

Hand Returned

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL

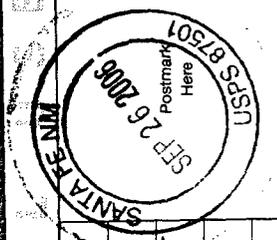
Postage Certified Fee
 \$ 2.46
 Return Receipt Fee (Endorsement Required) 1.85
 Restricted Delivery Fee (Endorsement Required)
 Total Postage & Fees \$

Sent To **E. J. Schultz**
 Rural Route 1
 Claysburg, PA 16625

Street, Apt. No., or PO Box No.
 City, State, ZIP+4

PS Form 3800, J

7001 1140 0002 9558 9015



U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL

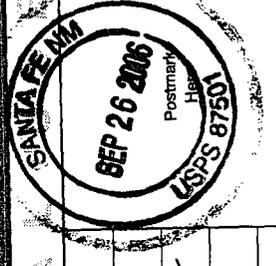
Postage Certified Fee
 \$ 2.46
 Return Receipt Fee (Endorsement Required) 1.85
 Restricted Delivery Fee (Endorsement Required)
 Total Postage & Fees \$

Sent To **Shirley Spaulding Executrix of**
Estate of Guy Bonham, deceased
 1138 Milam Building
 San Antonio, TX 78205

Street, Apt. No. or PO Box No.
 City, State, ZIP

PS Form 3800

7001 1140 0002 9558 8995



SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
E. J. Schultz
Rural Route 1
Claysburg, PA 16625

2. Article Number (Copy 1) **7001 1140 0002 9558 9015**

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery **10-13-06**

C. Signature *E. J. Schultz* Absent Addressee Yes No

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0852

Paul
Returned



September 26, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS:

Re: Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in the W/2 of Section 33, Township 9 South, Range 34 East, NMPM, Lea County, New Mexico. Said units will be dedicated to Yates Petroleum Corporation's proposed Womack "BGW" Well No. 1 which it proposes to drill at a standard gas well location in the SW/4 SW/4 of said Section 33 to test all formations from the surface to the base of the Mississippian formation.

This application has been set for hearing before a Division Examiner on October 26, 2006. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr

cc: Robert Bullock

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

Affidavit of Publication

STATE OF NEW MEXICO)
) ss.
COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of **THE LOVINGTON LEADER**, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Notice of Publication
was published in a regular and entire issue of **THE LOVINGTON LEADER** and not in any supplement thereof, for one day beginning with the issue of September 30, 2006 and ending with the issue of September 30, 2006.

And that the cost of publishing said notice is the sum of \$ 61.21 which sum has been (Paid) as Court Costs.

Joyce Clemens
Subscribed and sworn to before me this 25th day

of October
Debbie Schilling
Debbie Schilling
Notary Public, Lea County, New Mexico
My Commission Expires June 22, 2010

LEGAL NOTICE
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 October 28, 2006, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3456 or through the New Mexico Relay Network, 1-800-669-1779 by October 16, 2006. Public documents including the agenda and minutes can be provided in various accessible forms. Please contact Florene Davidson if a summary of 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 13602
Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.

Applicant in the above styled cause seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation in the following described spacing and proration units located in the W/2 of Section 33, Township 9 South, Range 34 East N.M.P.M.: Lea County, New Mexico, the W/2 of all formations and/or pools developed on 320 acre spacing which includes but is not necessarily limited to the West 4-X Ranch Mississippian Gas Pool, Undesignated 4-X Ranch Morrow Gas Pool, and the Undesignated 4-X Ranch Aloka Gas Pool and the SW/4 for all formations and/or pools developed on 160-acre spacing which includes but is not limited to the Yates Upper Pennsylvanian Pool. Said units are to be dedicated to its Wornack BGV Well No. 1 (API No. 30-025-37206) to be drilled at a standard gas well location 810 feet from the South line and 660 feet from the West line (Unit M) of said Section 33. Aid 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 charge for work involved in drilling said well. Said

area is located approximately 10 miles west of Crossroads, New Mexico. Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 28th day of September 2006.
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
Mark E. Pasmore, P.E.
Director
Published in Lovington, Lea County, New Mexico on September 30, 2006.