



13490

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MAR 22 2007

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
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SANTA FE, NEW MEXICO 87504-1148

Oil Conservation Division
COMMISSIONER'S OFFICE
1220 S. St. Francis Drive
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SANTA FE, NM 87505
www.nmstatelands.org

March 19, 2007

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

Attention: Mr. Robert Bullock

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

Dear Mr. Bullock:

By our letter of September 6, 2006 Yates Petroleum Corporation was granted a drilling extension to March 17, 2007 to either commence drilling operations on the Jolene Unit Well No. 2 or terminate the unit agreement.

In your conversation with this office, on March 19, 2007, you advised that the Well No. 2 was not timely commenced and will not be drilled.

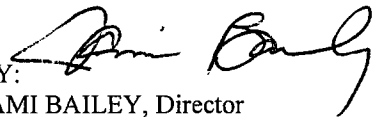
Pursuant to Article 8 of the Jolene State Exploratory Unit Agreement, please be advised that this office has terminated the subject Unit Agreement effective March 17, 2007.

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 & Minerals Division
PL/JB/pm

pc: Reader File, Commissioner's File
NMOCD-Attention: Mr. David Catanach
TRD-Attention: Mr. Valdean Severson
RMD-Attn: Ms. 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

***AMENDED COPY - Subsequent Joinder Tracts 3 VO-5975-0, 5 VO-5997-0, 9 VO-5998-3**

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

DATE	OCC CASE NO.	Committed TOTAL	Committed ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.							
EFFECTIVE	CASE NO. 13490	5119.02	5119.02	0	0		STRICT	5 YEARS
06/17/2005	ORDER NO. R-12358							SO LONG AS

APPROVALS

SLO--06-17-2005
 OCD--05-24-2005

TOWNSHIP 14 SOUTH, RANGE 35 EAST

SECTION 2: LOTS 1, 2, 3, 4, S2/N2, S/2
 SECTION 3: ALL
 SECTION 4: LOTS 1, 2, S/2NE4, S/2
 SECTION 5: SE/4, E/2SW/4
 SECTION 8: N/2, SE/4, E/2SW/4
 SECTION 9: ALL
 SECTION 10: N/2, SW/4
 SECTION 11: NW/4
 SECTION 16: ALL
 SECTION 17: ALL

TERMINATED
 EFFECTIVE DATE 3-17-07
 APPROVAL DATE 3-14-07

***Subsequent Joinder--Approval Date--June 29, 2005 Effective Date 07-01-2005**
 Tract 3--320 acres
 Tract 5--240 acres
 Tract 9--320 acres

15 11 AM 92 JUL 2002

EXHIBIT