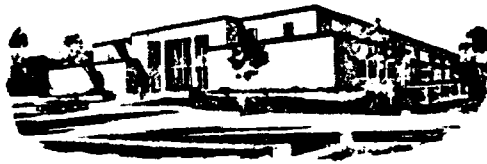


State of New Mexico



W.R. HUMPHRIES  
COMMISSIONER



Commissioner of Public Lands

SLO REF NO. OG-651

P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

January 26, 1988

Dickerson, Fisk & Vandiver  
ATTENTION: Mr. Chad Dickerson  
Seventh & Mahone, Suite E  
Artesia, New Mexico 88210

Re: Proposed Echols State Unit  
Lea County, New Mexico

Gentlemen:

This office has reviewed the unexecuted copy of unit agreement for the proposed Echols State Unit, Lea County, New Mexico, which you have submitted on behalf of Yates Petroleum Corporation. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

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. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval please submit the following:

1. Application for formal approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. 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.
3. Order of the New Mexico Oil Conservation Division.
4. Geological report and engineering data.
5. Please submit a copy of Exhibit "A".

YATES PETROLEUM CORPORATION  
Case No. 9301  
2/3/88 Examiner Hearing  
Exhibit No. 3

Dickerson, Fisk & Vandiver  
January 26, 1988  
page 2

*Revised & Substituted 2-1-88*

6. On page 2 of the unit agreement, and page 1 of the operating agreement, the correct description for Section 10-11S-38E, should be the SW/4.

Your filing fee in the amount of ninety dollars has been received.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES  
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*

FLOYD O. PRANDO, Director  
Oil and Gas Division  
(505) 827-5744

WRH/FOP/pm

cc: OCD-Santa Fe, New Mexico