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March 1, 1988

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501

Attention: Mr. Pete Martinez

Re: Sunny Side State Unit
Chaves County, New Mexico

Gentlemen:

On behalf of Yates Petroleum Corporation, application is hereby made for preliminary approval of the Sunny Side State Unit, Chaves County, New Mexico. This exploratory unit, as amended, consists entirely of state lands. Submitted herewith are the following:

1. Two copies of the draft Unit Agreement, with Exhibits "A" and "B".
2. Draft of the Unit Operating Agreement.
3. Geological Explanation in duplicate, with maps.

On behalf of the Applicant, it is hereby alleged:

- 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 institute 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.

YATES PETROLEUM CORPORATION
Case No. 9317
3/2/88 Examiner Hearing
Exhibit No. 3

Commissioner of Public Lands

March 2, 1988

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Our check in the amount of \$480, representing \$30 for each section or fractional part thereof, is also enclosed.

Please contact me if you have any questions or requirements. This application is set for hearing before the New Mexico Oil Conservation Division on March 2, 1988. We have discussed the fact of our late submittal of this information with Mr. Stogner, and propose that the Division withhold entry of any order until your office has had an opportunity to review the data submitted. The Applicant was conducting a seismic study of the area, and did not obtain the required data until Friday, February 26, 1988. We apologize for the submittal at this late date, but Yates Petroleum Corporation considered the seismic data essential to an adequate review of the unit area. There is an expiration date of April 1, 1988, and your early review of this proposed unit will be appreciated.

Thank you for your cooperation in this matter.

Sincerely yours,

DICKERSON, FISK & VANDIVER



Chad Dickerson

CD:pvw
Enclosures

cc: Ms. Kathy Colbert