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January 28, 1991

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148

Attention: Mr. Clyde Langdale

Re: Salt Creek Unit
Chaves County, New Mexico

Gentlemen:

On behalf of Yates Petroleum Corporation, application is hereby made for preliminary approval of the Salt Creek Unit, Chaves County, New Mexico. This exploratory unit consists of state, federal and fee 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 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.

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The check of Yates Petroleum Corporation in the amount of \$4,410, representing \$30 for each section or fractional part thereof, is also enclosed.

This application is set for hearing before the New Mexico Oil Conservation Division on February 7, 1991. Application has been made to the Bureau of Land Management for designation of the unit as logically subject to unit development. Several of the leases have an expiration date of March 1, 1991, and Yates Petroleum Corporation intends to commence drilling operations in SW/4 Section 21, Township 6 South, Range 21 East, N.M.P.M., prior to March 1, 1991. Your early review of this proposed unit will be appreciated. Please contact me if you have any questions or requirements.

Thank you for your cooperation in this matter.

Very truly yours,

FISK & VANDIVER



David R. Vandiver

DRV:pvw
Enclosures

cc: Bureau of Land Management
Mr. Rob Bullock