



RAY B. POWELL
COMMISSIONER

State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

10763

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

October 13, 1993

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

Attn: Ms. Debbie Elrod

Re: Final Approval
Sanmal Queen Waterflood Unit
Lea County, New Mexico

Dear Ms. Elrod:

This office is in receipt of your letter of October 4, 1993, together with ratifications of 100% of the working interest owners requesting final approval of the Sanmal Queen Unit Area, Lea County, New Mexico. Also, attached with your letter is a copy of the New Mexico Oil Conservation Division's Case No. 10763, Order No. R-9959 and Case No. 10794, Order No. R-9961 entered on September 10, 1993 approving the Sanmal Queen Unit Agreement and waterflood project.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Sanmal Queen Unit Agreement, Lea County, New Mexico and your Initial Plan of Operation. It is our understanding that all tracts in the unit agreement are fully committed.

Due to the increased scrutiny from a variety of agencies and groups as to the protection and preservation of fresh water resources, our approval is made subject to the following stipulation to be made a part hereof: It is our intention to notify you that future applications for large volume fresh water use will be evaluated and approved or rejected at the discretion of the Commissioner. Therefore, please be advised that on October 5, 1997, the termination date of the existing agreement(s), Water Rights Agreement No. WR-29, and Water Development Easement No. WD-29 may not be renewed with their original terms or conditions.

Pursuant to Section 22, Effective Date and Term, of the Sanmal Queen Unit Agreement, the effective date of this agreement is November 1, 1993. Please provide this office with a certificate of effectiveness pursuant to Section 22 (d) of the unit agreement.

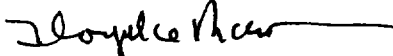
Yates Petroleum Corporation
Sanmal Queen Unit
October 13, 1993
Page 2

Enclosed are five (5) Certificates of Approval.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY B. POWELL, M.S., D.V.M
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
RBP/FOP/pm
cc: OCD-Santa Fe
TRD-Santa Fe,
Reader File

UNIT NAME: SANMAY QUEEN UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

| DATE | OCD CASE NO. | EFFECTIVE | TOTAL | STATE | FEDERAL- | FEE | SEG CLAUSE | TERM |
|----------|--------------|-----------|---------|-------|----------|-----|------------|------|
| APPROVED | ORDER NO. | DATE | ACREAGE | | INDIAN | | | |

| | | | | | | | | |
|----------|----------|----------|--------|--------|---|---|----------|------------|
| 10/13/93 | 09/10/93 | 11/01/93 | 440.00 | 440.00 | 0 | 0 | Modified | So long as |
|----------|----------|----------|--------|--------|---|---|----------|------------|

OCD: 09/10/93 - Case # 10763, Order No. R-9959, and Case # 10794, Order No. R-9961
CPL: 10/13/93

UNIT AREA:

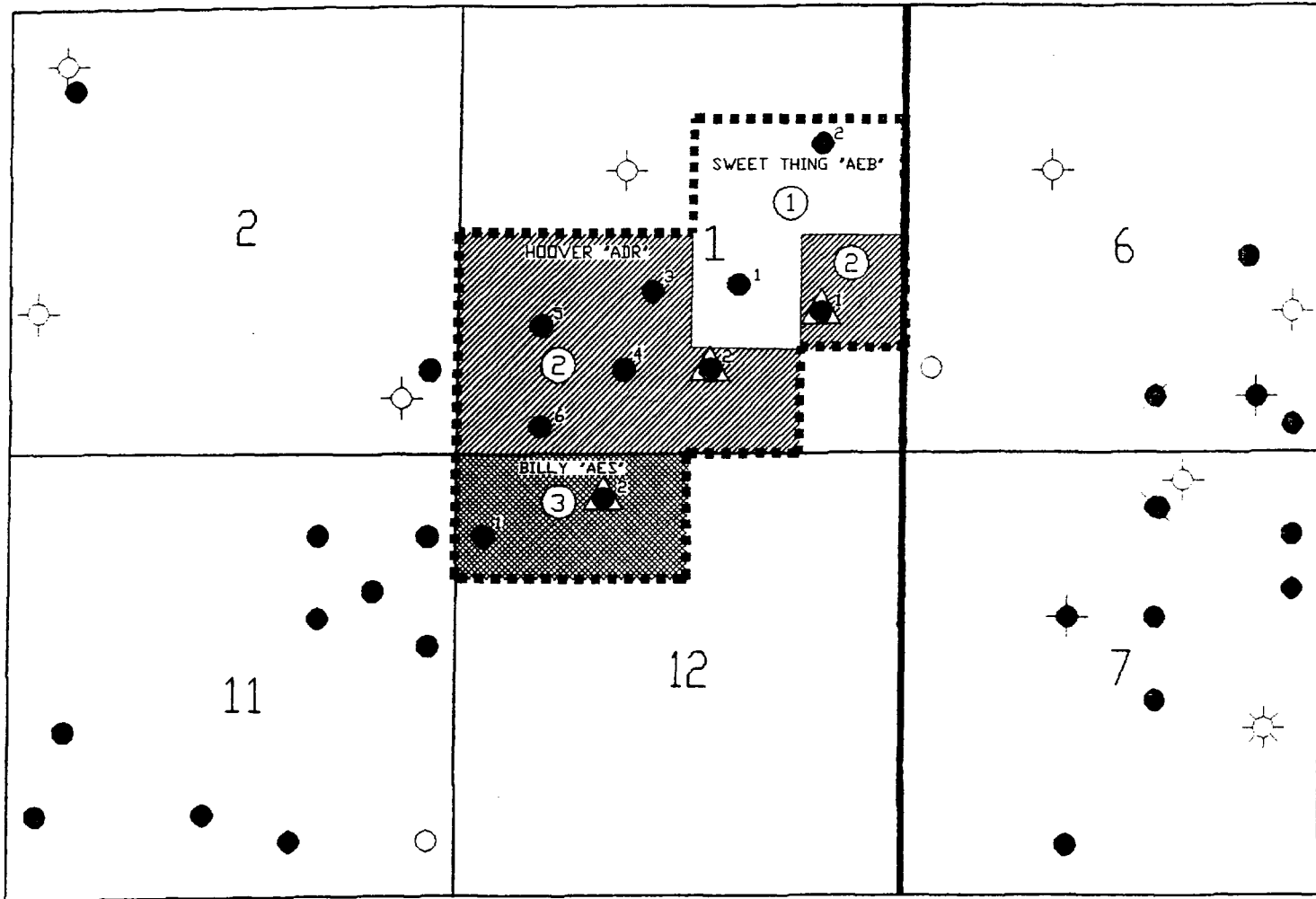
TOWNSHIP 17 SOUTH-RANGE 33 EAST


SECTION 1: S½NE¼, SW¼, NE¼SE¼, NW¼SE¼
SECTION 12: NW¼NW¼

R33E

R34E

T
17
S






**ATES
PETROLEUM
CORPORATION**
108 South Fourth (505) 748-1471
ARTESIA, NEW MEXICO 88210

EXHIBIT A

PROPOSED SANMAL QUEEN UNIT
LEA COUNTY, NEW MEXICO

PROPOSED INJECTION 


UNIT OUTLINE  A93010

EXHIBIT "B". SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the SANMIL QUEEN UNIT
LEA COUNTY, NEW MEXICO

| TRACT NO. | DESCRIPTION OF LANDS | ACRES | SERIAL NUMBER & EXPIRATION DATE | BASIC ROYALTY AND PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST AND PERCENTAGE | BENEFICIARY STATE OF NEW MEXICO |
|-----------|---|-------|---------------------------------|------------------------------|-----------------------------|---------------------------------|---------------------------------|--|
| 1. | T17S-R33E Sec. 1: S/2NE/4, NW/4SE/4 | 120 | LG-8961-3 HBP | State of NM 1/8 | Yates Petroleum Corporation | None | | Yates Petroleum Corporation - 40.75% Yates Drilling Company - 9.75% Abo Petroleum Corporation - 9.75% Myco Industries, Inc. - 9.75% John A. Yates - 5.00% Estate of Peggy A. Yates - 5.00% Estate of Lillie M. Yates - 5.00% Estate of Martin Yates III - 5.00% S.P. Yates - 7.75% Weed Oil & Gas - 2.25% |
| 2. | T17S-R33E Sec. 1: SW/4, NE/4SE/4, SW/4SE/4 | 240 | LG-3345 HBP | State of NM 1/8 | Yates Petroleum Corporation | None | | Yates Petroleum Corporation - 21.0000% Yates Drilling Company - 13.0000% Abo Petroleum Corporation - 13.0000% Myco Industries, Inc. - 13.0000% John A. Yates - 6.6667% Estate of Peggy A. Yates - 6.6666% Estate of Lillie M. Yates - 6.6667% Estate of Martin Yates III - 6.6666% S.P. Yates - 10.3334% Weed Oil & Gas - 3.0000% |
| 3. | T17S-R33E Sec. 12: N/2NW/4 | 80 | V-1671 HBP | State of NM 1/6 | Yates Petroleum Corporation | None | | Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc. - 10% |

EXHIBIT C

Proposed Sammal Queen Unit Tract Participation

| Tract Number | Fraction of Total Cum Oil 5/1/93 | Cum Oil Part. Fraction | Fraction of Total Avg. Prod. Rate | Avg. Prod. Rate Part. Fraction | Fraction of Total SoPhiH A | SoPhiH Part. Fraction | Total Tract Allocation (%) |
|-----------------|--|------------------------------|---|--------------------------------------|----------------------------------|-----------------------------|----------------------------------|
| 1 | 0.189470 | 0.075788 | 0.051282 | 0.015385 | 0.2475627 | 0.074269 | 16.5442 |
| 2 | 0.697710 | 0.279084 | 0.769231 | 0.230769 | 0.6114206 | 0.183426 | 69.3279 |
| 3 | 0.112820 | 0.045128 | 0.179487 | 0.053846 | 0.1410167 | 0.042305 | 14.1279 |
| TOTAL | 1.000000 | 0.400000 | 1.000000 | 0.300000 | 1.0000000 | 0.300000 | 100.0000 |

**PROPOSED SANMAL QUEEN UNIT
WELL NAME CHANGES**

| NEW UNIT WELL NAME | PREVIOUS WELL NAME |
|-----------------------|----------------------------|
| Sanmal Queen Unit #1 | Sweet Thing "AEB" State #2 |
| Sanmal Queen Unit #2 | Hoover "ADR" State #5 |
| Sanmal Queen Unit #3 | Hoover "ADR" State #3 |
| Sanmal Queen Unit #4 | Sweet Thing "AEB" State #1 |
| Sanmal Queen Unit #5 | Hoover "ADR" State #1 |
| Sanmal Queen Unit #6 | Hoover "ADR" State #6 |
| Sanmal Queen Unit #7 | Hoover "ADR" State #4 |
| Sanmal Queen Unit #8 | Hoover "ADR" State #2 |
| Sanmal Queen Unit #9 | Billy "AES" State #1 |
| Sanmal Queen Unit #10 | Billy "AES" State #2 |

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 10, 1993

RE: CASE NO. 10763
Order No. R-9959

Mr. William F. Carr
Campbell, Carr, Berge & Sheridan
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson
OC Staff Specialist

A handwritten signature in cursive script that reads "Florene Davidson".

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ

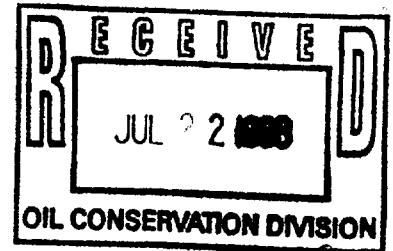
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

July 22, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Re: Oil Conservation Division Case No. 10763:
Application of Yates Petroleum Corporation for a Unit Agreement, Lea
County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation respectfully requests that this matter which is currently set on the Division docket for the July 29, 1993 hearings be continued to the August 12, 1993 Examiner docket.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr".

WILLIAM F. CARR
WFC:mlh

cc: Ms Carolyn Yates
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210