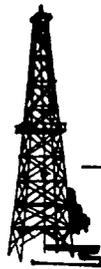


11,394

HEYCO

HARVEY E. YATES COMPANY

PETROLEUM PRODUCERS



P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

February 19, 2003

Bureau of Land Management
Roswell District Office
2909 West Second
Roswell, New Mexico 88201

Attention: Deputy Minerals Manager for Oil and Gas

Re: **Bennett Ranch Unit**
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Plan of Development/Operation - 2003

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator, submits this 2003 Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Bennett Ranch Unit Agreement.

In this regard, we are enclosing a current unit map showing the existing wells and locations for five (5) potential wells based on the Initial Participating Area for the Canyon formation, as submitted to the Bureau of Land Management (BLM). The potential wells have not been submitted for drilling, nor have any been approved by the BLM. The initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997 and the second well was drilled and completed on December 18, 2001.

<u>Date</u>	<u>Well No.</u>	<u>Operation/Result</u>	<u>Unit Letter/Sec.</u>
11/97	#1Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14
12/01	25 #1	Drilled & Completed in Canyon Formation I.P. 3000 MCFGPD	G-25

Since the completion of the initial well in the Unit, the BLM has suspended all of the federal leases in this unit (and in all of the Orogrande Basin, as well) and is in the process of amending the existing RMP for the area to include the production of oil and gas. Both the initial well and the subsequent well are shut-in due to the lack of a pipeline facility in the area. Last year HEYCO commenced a study of the productive zones in the existing wells and, at this time, HEYCO is still in the process of researching and evaluating these zones.

Based on the information submitted herewith, HEYCO respectfully requests that the BLM approve this 2003 Plan of Development and Operation.

Respectfully submitted,

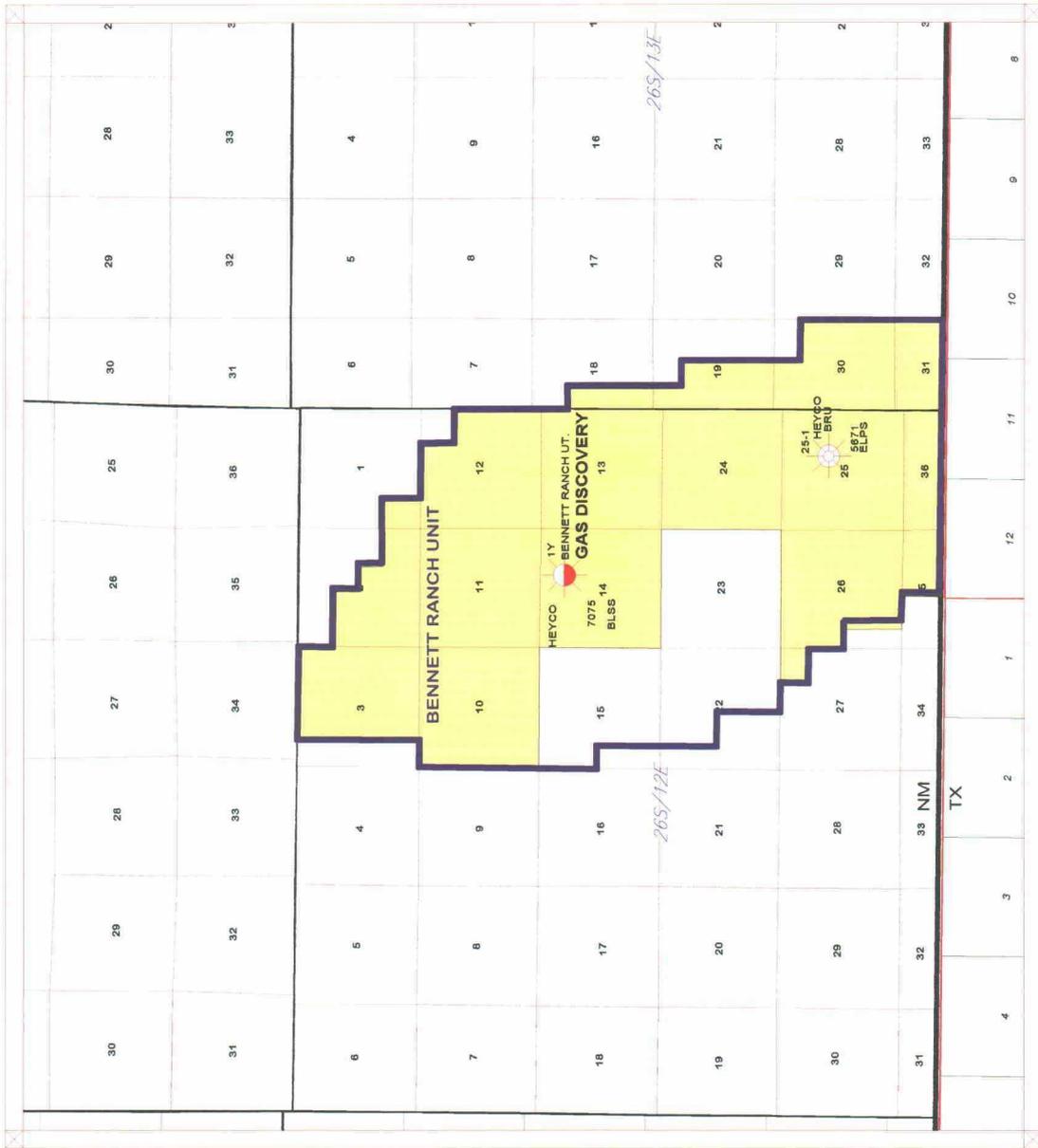

Vernon D. Dyer CPL #3174
Land Manager

VDD/dlm
Enclosures

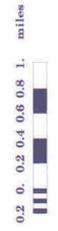
Bennettpod2003.doc/Land:BennettRanch#3

xc: ✓ Oil Conservation Division (w/encl.)
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissioner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez



Scale 1:96000.



HEYCO	
BENNETT RANCH PLAN OF DEVELOPMENT	
Ramon Reyes	Scale 1:96000.
	2203003
	br_u_plan.pdf

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

May 5, 2003

Harvey E. Yates Company
P.O. Box 1933
One Sunwest Centre
Roswell, New Mexico 88202-1933

Attn: Mr. Vernon D. Dyer

Re: 2003 Plan of Development
Bennett Ranch Unit
Otero County, New Mexico

Dear Mr. Dyer:

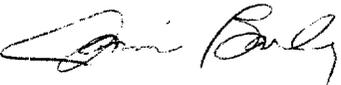
The Commissioner of Public Lands has, of this date, approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the unit area and the need for further development of the unit may exist. You may be contacted at a later date regarding these possibilities.

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 and Minerals Division
(505) 827-5744

PL/JB/cpm
xc: Reader File

OCD

BLM

RECEIVED

MAY 06 2003

OIL CONSERVATION
DIVISION

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766



COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

March 20, 2002

Harvey E. Yates Company
P.O. Box 1933
One Sunwest Centre
Roswell, New Mexico 88202-1933

Attn: Mr. Steven M. Yates

Re: 2002 Plan of Development
Bennett Ranch Unit
San Juan County, New Mexico

Dear Mr. Yates:

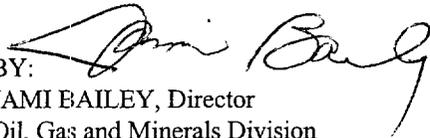
The Commissioner of Public Lands has, of this date, approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

Please be advised that the contraction date of the Bennett Ranch Unit is November 10, 2002.

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

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
xc: Reader File

OCD

BLM

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

February 14, 2002

~~United States Department of the Interior
Bureau of Land Management
2909 West Second
Roswell, New Mexico 88201~~

Attention: Armando Lopez, Authorizing Officer

Re: Bennett Ranch Unit Area
Otero County, New Mexico
No. NMNM94469X
Application for Approval of
Initial Participating Area
For the Canyon Formation

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator for the Bennett Ranch Unit Agreement, pursuant to the provisions of Section 11 thereof, respectfully submits for your approval the selection of the following described lands to constitute the initial participating area for the Canyon producing formation:

Township 26 South, Range 12 East, N.M.P.M.

Section 13: SW/4, containing 160.0 net acres, more or less
Section 14: S/2, containing 320.0 net acres, more or less
Section 23: E/2 and NW/4, containing 480.0 acres, more or less
Section 24: All, containing 640.0 acres, more or less
Section 25: All, containing 640.0 acres more or less
Section 26: E/2, containing 320.0 acres more or less
Section 35: Lots 3 & 4, N/2 NE/4, containing 99.89 net acres, more or less
Section 36: Lots 1,2,3 & 4, N/2 N/2, containing 199.84 net acres more or less

Township 26 South, Range 13 East, N.M.P.M.

Section 19: Lots 3 & 4, W/2 SE/4, containing 161.29 acres, more or less
Section 30: Lots 1,2,3 & 4, E/2 NW/4, E/SW/4, containing 323.62 acres, more or less

In support of this application, the following numbered items are attached hereto and made a part hereof:

1. Ownership map showing the boundaries of the unit area and the proposed initial participating area. (Exhibits "A-1" & "A-2")
2. Schedule showing the lands entitled to participation in the unitized substances produced from the Canyon Formation, with the percentage of participation of each lease or tract indicated thereon. (Exhibit "B")

Applicant is submitting herewith the geological data supporting and justifying the proposed selection of the participating area:

1. DOI/BLM Well Completion Report and supporting data. (Exhibit "C")
2. Map of unit outline showing the structure and isopach of Canyon producing interval. (Exhibit "D")

This proposed initial participating area is predicated upon the information obtained from the completion of the following well:

Bennett Ranch Unit No. 25-1, situated 1980' FNL & 1980' FEL of Section 25, Township 26 South, Range 12 East, NMPM, Otero County, NM with an initial flow test and completion of 3000 MCFGPD at a depth of 2255-2268'.

A 3344.64-acre participating area is indicated at this time because of the structure and isopach of the producing sand interval in the Canyon Formation.

The effective date of this initial Canyon Participation Area shall be December 18, 2001, pursuant to Section 11 of the Bennett Ranch Unit Agreement.

Accordingly, applicant respectfully requests your approval of the hereinabove selection of lands to constitute the initial Canyon Formation Participating Area, to be effective December 18, 2001.

HARVEY E. YATES COMPANY

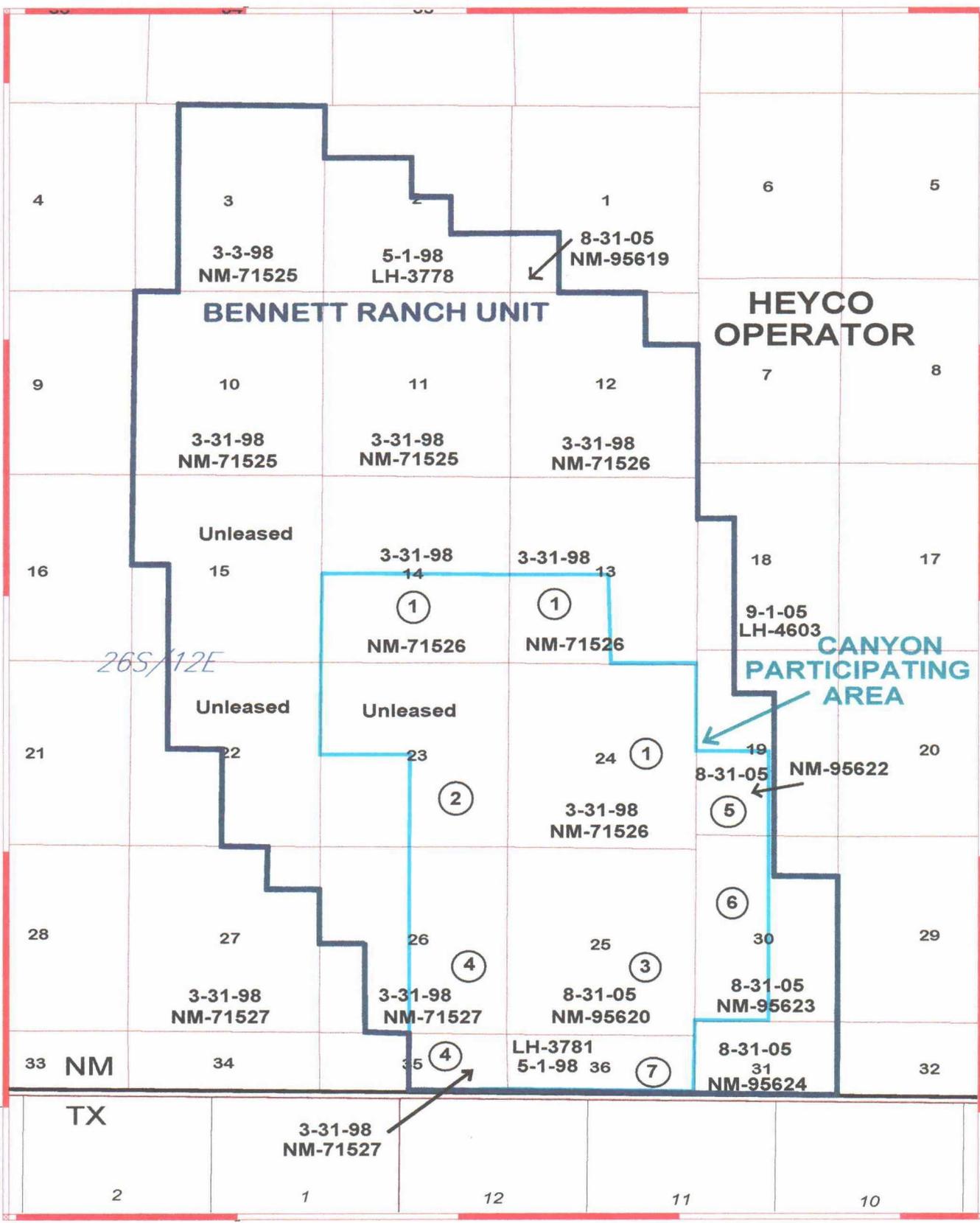
By: Steven M. Yates
Steven M. Yates (Vice-President)

GKY:VDD/dlm
Enclosures

BRCanyonInitPartArea.doc/Land:BennettRanch#3

xc: ✓ Oil Conservation Division (w/encl.)
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissioner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez



Scale 1:48000.

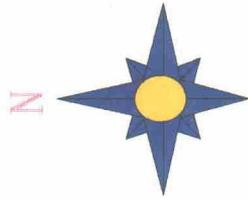
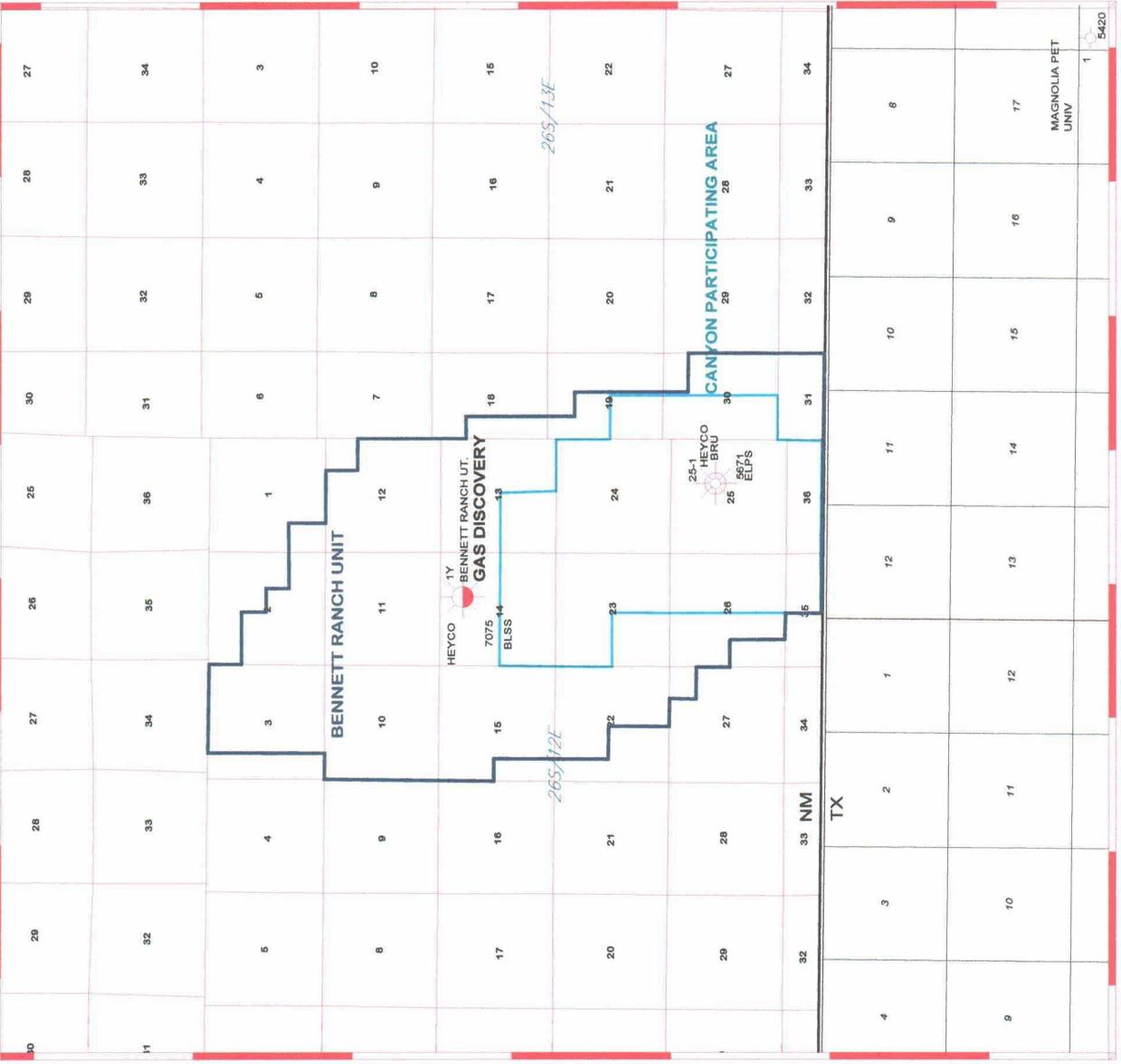


Harvey E. Yates Company		
BENNETT RANCH UNIT CANYON FM. PARTICIPATING AREA EXHIBIT A1		
Drawn By		5/14/00
Scale	1:48000	DRU PMS/GPP

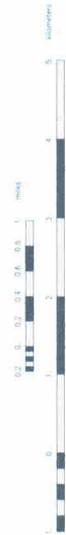
32.100

32.100

32.100



Scale 1:96000.



Harvey E. Yates Company	
BENNETT RANCH UNIT CANYON FM. PARTICIPATING AREA	
London, Ohio	2/13/2002
Scale 1:96000	8641901.DWG

EXHIBIT A2

32.000

32.000

105.600

105.700

105.600

EXHIBIT B
 BENNETT RANCH UNIT-OTERO COUNTY, NEW MEXICO
 INITIAL CANYON FORMATION PARTICIPATING AREA

NO.	LAND DESCRIPTION ACRES	# OF	% OF PARTI- CIPATION	SERIAL # & LEASE EXP.	BASIC ROYALTY	LESSEE OF RECORD(%)	WORKING INTEREST OWNERSHIP (Decimal)
1.	T-26, R-12E Sec. 13: SW/4	160.00	33.49 %	NM-71526 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.179121% Spiral, Inc. 5.789198% Explorers Petroleum 3.172995% Burlington Resources 50.000000% Rudman Partnership 18.750000%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .03172995 HEYCO Emp. Ltd.. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000
	T-26S, R-12E Sec. 14: S/2	320.00		NM-71526 (Cont.)			
	T-26S, R-12E Sec. 24: ALL	640.00		NM-71526 (Cont.)			
	Total	1120.00					

FEDERAL LANDS:

EXHIBIT B
BENNETT RANCH UNIT-OTERO COUNTY, NEW MEXICO
INITIAL CANYON FORMATION PARTICIPATING AREA

NO.	LAND DESCRIPTION ACRES	# OF	% OF PARTI- CIPATION	SERIAL.# & LEASE EXP.	BASIC ROYALTY	LESSEE OF RECORD(%)	WORKING INTEREST OWNERSHIP (Decimal)
2.	T-26, R-12E Sec. 23: E/2	480.00	14.35%			Unleased	
3.	T-26S, R-12E Sec. 25: ALL	640.00	19.14 %	NM-95620 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.179121% Spiral, Inc. 5.789198% Explorers Petroleum 3.172995% Burlington Resources 50.000000% Rudman Partnership 18.750000%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .03172995 HEYCO Emp. Ltd.. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000
4.	T-26S, R-12E Sec. 26: E/2	320.00	12.55 %	NM-71527 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.179121% Spiral, Inc. 5.789198% Explorers Petroleum 3.172995% Burlington Resources 50.000000% Rudman Partnership 18.750000%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .03172995 HEYCO Emp. Ltd.. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000

EXHIBIT B
BENNETT RANCH UNIT-OTERO COUNTY, NEW MEXICO
INITIAL CANYON FORMATION PARTICIPATING AREA

NO.	LAND DESCRIPTION ACRES	#OF	% OF PARTI- CIPATION	SERIAL # & LEASE EXP.	BASIC ROYALTY	LESSEE OF RECORD (%)	WORKING INTEREST OWNERSHIP (Decimal)
	T-26S, R-12E Sec. 35: Lots 3, 4, N/2 NE/4	160.00		NM-71527 (cont.)			
	Total	419.89					
5.	T-26S, R-13E Sec. 19: Lots 3, 4, W/2 SE/4	161.29	4.85 %	NM-95622 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.179121% Spiral, Inc. 5.789198% Explorers Petroleum 3.172995% Burlington Resources 50.000000% Rudman Partnership 18.750000%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .03172995 HEYCO Emp. Ltd. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000
6.	T-26S, R-13E Sec. 30: Lots 1-4, E/2 NW/4, E/2 SW/4	323.62	9.68 %	NM-95623 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.179121% Spiral, Inc. 5.789198% Explorers Petroleum 3.172995% Burlington Resources 50.000000% Rudman Partnership 18.750000%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .03172995 HEYCO Emp. Ltd. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000

EXHIBIT B
BENNETT RANCH UNIT-OTERO COUNTY, NEW MEXICO
INITIAL CANYON FORMATION PARTICIPATING AREA

LAND NO.	DESCRIPTION	# OF ACRES	% OF PARTI- CIPATION	SERIAL # & LEASE EXP.	BASIC ROYALTY	LESSEE OF RECORD(%)	WORKING INTEREST OWNERSHIP (Decimal)
7.	T-26S, R-12E Sec. 36: Lots 1-4, N/2N/2	199.84	5.97 %	LH-3781 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.179121% Spiral, Inc. 5.789198% Explorers Petroleum 3.172995% Burlington Resources 50.000000% Rudman Partnership 18.750000%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .03172995 HEYCO Emp. Ltd.. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000

ACREAGE TOTAL 3344.64 100.00 %

--End--

CONFIDENTIAL

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE*

(See other instructions
on reverse side)

OPERATION REPORT

FORM APPROVED
OMB NO. 1004-0137
Expires: February 28, 1995

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

1a. TYPE OF WELL OIL **GAS** DRY Other
WELL WELL

1b. TYPE OF COMPLETION: NEW DEEPEN PLUG DIFF- Other
WELL WELL BACK GENVR

2 NAME OF OPERATOR
Harvey E. Yates Company

3 ADDRESS AND TELEPHONE NO.
P.O. Box 1933, Roswell, NM 88202 505-623-6601

4 LOCATION OF WELL
At surface
1,980' FNL & 1,980' FEL
At top prod. interval reported below
At total depth

5. LEASE DESIGNATION AND SERIAL NO.
NM 95620

6. IF INDIAN, ALLOTTEES OR TRIBE NAME

7. UNIT AGREEMENT NAME
Bennett Ranch Unit

8. FARM OR LEASE NAME, WELL NO.
Bennett Ranch Unit 25-1

9. API WELL NO.
30-035-20031

10. FIELD AND POOL, OR WILDCAT
Wildcat

11. SEC. T., R., M., OR BLOCK AND SURVEY OR AREA
Sec 25, T26S, R12E

12. COUNTY OR PARISH
Otero

13. STATE
New Mexico

15. DATE SPUNDED
10/27/01

16. DATE T.D. REACHED
11/18/01

17. DATE COMPLETION (PERMIT NO.)
12/18/01

18. INTERVALS (DF, RKB, RT, GR, ETC.)*
5028'

19. ELEV. CASINGHEAD

20. TOTAL DEPTH, MD & TVD
2,875'

21. PLUG, BACK T.D., MD & TVD
2,750'

22. IF MULTIPLE COMPL., HOW MANY*

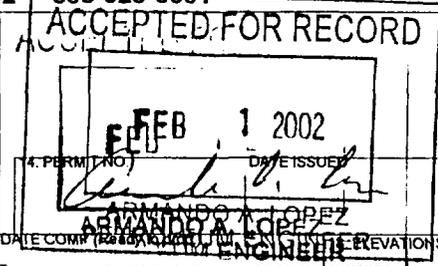
23. INTERVALS DRILLED BY
ROTARY TOOLS
CABLE TOOLS

24. PRODUCING INTERVAL (S), OF THIS COMPLETION - TOP, BOTTOM NAME (MD AND TVD)*
2,255-2,268'

25. WAS DIRECTIONAL SURVE MADE?
No

26. TYPE ELECTRIC AND OTHER LOGS RUN
Density Neutron; Azimuthal Laterolog

27. WAS WELL CORED?
No



28 CASING RECORD (Report all strings set in well)					
CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
13 3/8"/H-40	48#	492'	17 1/2"	Surface - Circ 490 sxs cmt	
9 5/8"/J-55	36#	3,087'	12 1/4"	Surface - Circ 300 sxs cmt	

29 LINER RECORD				30 TUBING RECORD			
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
							2,147'

31 PERFORATION RECORD (Interval, size and number)	32 ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
	DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
2,255-2,268' (157 holes)	2,255-2,268'	Natural Completion

DATE FIRST PRODUCTION		PRODUCTION METHOD (Flowing, gas lift, pumping-size and type of pump)				WELL STATUS (Producing or shut-in)	
DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N FOR TEST PERIOD	OIL-BBL.	GAS-MCF.	WATER-BBL.	GAS-OIL RATIO
12/11/01	96	45/64		0	3000/day	0	N/A
FLOW, TUBING PRESS	CASING PRESSURE	24-HOUR RATE CALCULATED	OIL-BBL.	GAS-MCF.	WATER-BBL.	OIL GRAVITY-API (CORE)	
250	0		0	3000	0	N/A	

34. DISPOSITION OF (Sold, used for fuel, vented, etc.)
Vented

TEST WITNESSED BY
Jay Bilberry

35. LIST OF ATTACHMENTS
Deviation Report; Logs

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

SIGNED Dianna Rodgers TITLE Production Analyst DATE 1/11/02

*(See Instructions and Spaces for Additional Data on Reverse Side)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

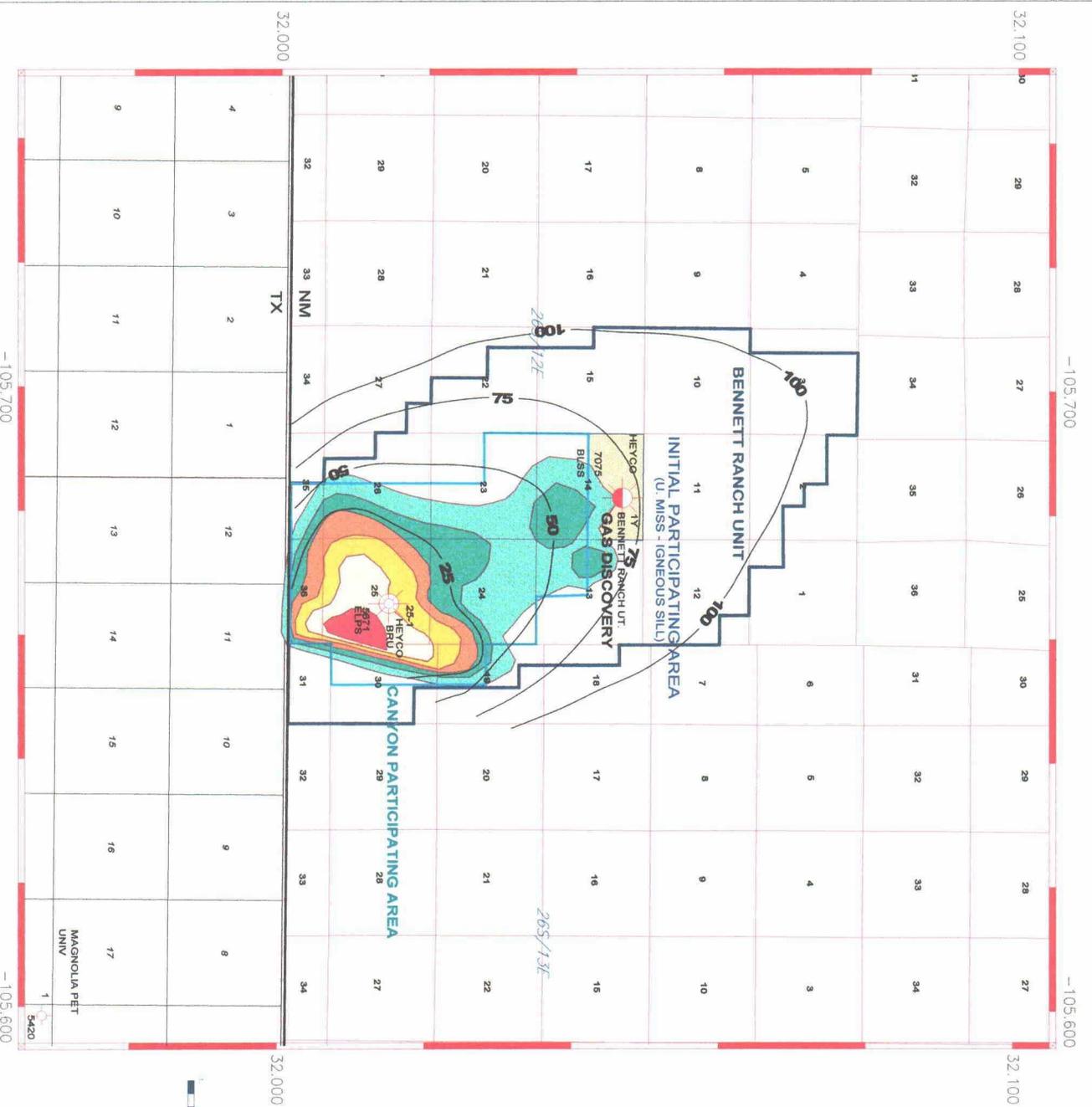
Bennett Ranch 25-1

37. SUMMARY OF POROUS ZONES: (Show all important porous zones, including intervals, and all drill stem, tests, including depth interval tested, casing depth, and shut-in pressures, and recoveries):

CONFIDENTIAL

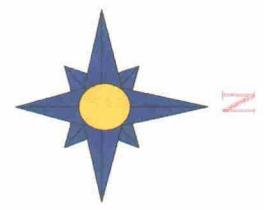
FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	38. GEOLOGIC MARKERS		
				NAME	MEASURED DEPTH	TRUE V.D.
Canyon Ø	2250	2266	SIDEWALL CORES No DST's	Hueco	210	
Ig Sill Ø	3315	3615		Pow wow	1720	
Fusselman Ø	4424	4442		Panther seep	1735	
Ig Sill Ø	5590	—		Canyon	1900	
	1724			Strawn	2405	
	1948			Atoka	2840	
	2255			Morrow	3180	
	2261			Helms	3735	
	2265			Miss Ls	3860	
	2412			Percha	4100	
	2569		Fusselman	4260		
	2728		Montoya	4760		
	2872		El Paso	5190		
	2909					

Gas
Water
Water
Water



32.100
32.000
-105.700
-105.600
32.100
32.000
-105.700
-105.600

Scale 1:96,000.



Hervey E. Yates Company	
BENNETT RANCH UNIT	
CANYON F.M. PARTICIPATING AREA	
STRUCTURE FORMLINE AND PAY ISOPACH	
Order No.	2112282
Scale	1:96,000
BRIDGE	BRIDGE

EXHIBIT D

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

February 15, 2002

Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Roy E. Johnson, Sr. Petroleum Geologist

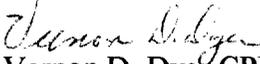
Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Application for Approval of
Initial Participating Area
For the Canyon Formation

Ladies & Gentlemen:

Attached is a copy of the Application for Approval of Initial Participating Area for the Canyon Formation, with pertinent enclosures, which has been submitted to the Bureau of Land Management this date for approval.

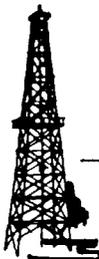
Harvey E. Yates Company respectfully requests your approval of this Application for Approval of Initial Participating Area as well.

Very truly yours,


Vernon D. Dyer CPL #3174
Land Manager

/dlm
Enclosures

BRCanyonPAOCD.doc/Land:BennettRanch#3



February 27, 2002

Bureau of Land Management
Roswell District Office
2909 West Second
Roswell, New Mexico 88201

Attention: Deputy Minerals Manager for Oil and Gas

Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Plan of Development/Operation - 2002

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator, submits this 2002 Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Bennett Ranch Unit Agreement.

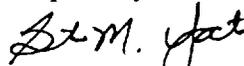
In this regard, we are enclosing a current unit map showing the existing wells and locations for five (5) potential wells based on the Initial Participating Area for the Canyon formation, as submitted to the Bureau of Land Management (BLM). The potential wells have not been submitted for drilling, nor have any been approved by the BLM. The initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997 and the second well was drilled and completed on December 18, 2001.

<u>Date</u>	<u>Well No.</u>	<u>Operation/Result</u>	<u>Unit Letter/Sec.</u>
11/97	#1Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14
12/01	25 #1	Drilled & Completed in Canyon Formation I.P. 3000 MCFGPD	G-25

Since the completion of the initial well in the Unit, the BLM has suspended all of the federal leases in this unit (and in all of the Orogrande Basin, as well) and is in the process of amending the existing RMP for the area to include the production of oil and gas. Both the initial well and the subsequent well are shut-in due to the lack of a pipeline facility in the area. It is HEYCO's belief the logical and ideal location for the next well in the development of the Unit is to on the unleased lands (Section 23) in the Unit. Therefore, HEYCO is unable to develop this unit in a prudent and proper manner until the BLM approves and allows leasing of the unleased lands in the Unit.

Based on the information submitted herewith, HEYCO respectfully requests that the BLM approve this 2002 Plan of Development and Operation.

Respectfully submitted,



Steven M. Yates
Vice-President

VDD/dlm
Enclosures

Bennettpod2002.doc/Land:BennettRanch#3

xc: ✓ Oil Conservation Division (w/encl.)
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissioner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez

BENNETT RANCH UNIT - NEW WELL DRILLED

Bennett Ranch Unit 25 # 1

1980' FNL & 1980' FEL

Unit G, Sec 25, Twp 26S, R12E

Otero County, NM

API #30-035-20031

Field/Pool: WILDCAT

Perfs: 2255 - 2268', Natural Completion

Spud 10.27.2001

TD Date 11.18.2001

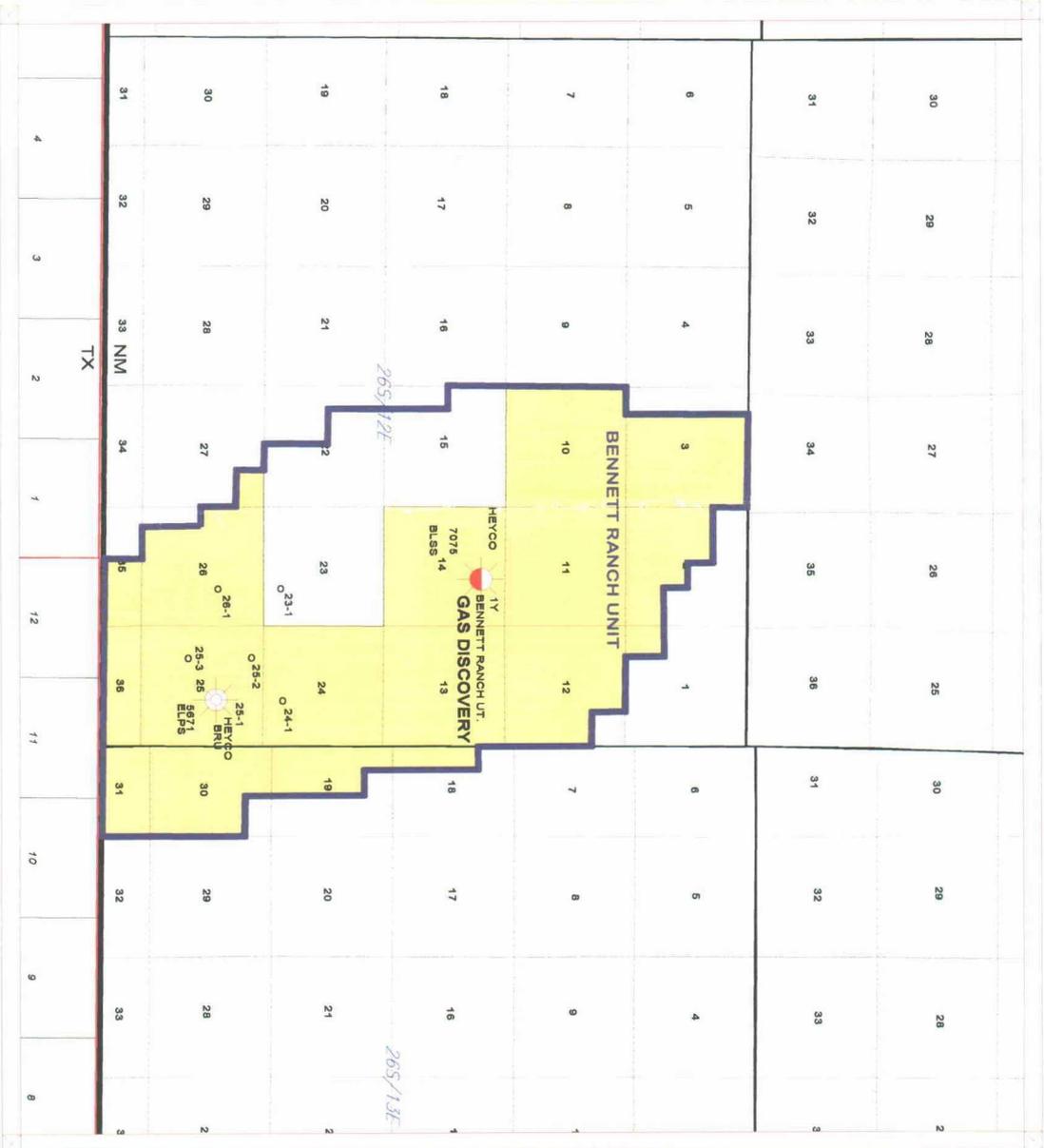
Completed 12.18.2001

Initial Prod 12.10.2001

PBTD 2750'

TD 5671'

SI Date 12.18.2001 SI, waiting on pipeline



Scale 1:96000.



HEYCO
BENNETT RANCH
PLAN OF DEVELOPMENT
2002

Ramon Reyes	Scale 1:96000.	2/6/2002
		brn_jpd.gif

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

February 26, 2002

ROSWELL, NEW MEXICO 88202-1933

Bureau of Land Management
2909 West 2nd Street
Roswell, New Mexico 88201

Attention: Larry Bray

Re: HEYCO's Bennett Ranch Unit
T-26S, R-12 & 13E, NMPM
Otero County, New Mexico
Containing 8,856.9 acres m/l
No. NMNM94469X

Dear Mr. Bray:

Harvey E. Yates Company (HEYCO) received final approval of its Bennett Ranch Unit from the Bureau of Land Management (BLM) on March 7, 1997. HEYCO then drilled and completed the Bennett Ranch Unit #1Y as a well capable of producing gas in October of 1997. This well caused the BLM (Las Cruces) to begin the amending the existing RMP to include the production of oil and gas, and, at the same time, suspend all oil and gas leasing in the area, including any unleased lands within the existing Bennett Ranch Unit.

Subsequently, HEYCO drilled the Bennett Ranch Unit 25 #1, completing it as a gas well on December 18, 2001. In accordance with the Bennett Ranch Unit Agreement, HEYCO submitted the application for Initial Participating Area for the Canyon Formation to the BLM (Roswell) office. It turns out the participating area covers unleased lands within the Unit and these lands can not and will not be offered for leasing to the public until after the amended RMP has been approved and recorded.

As Operator of the Bennett Ranch Unit, HEYCO can not properly delineate the Canyon Formation Participating Area, as the ideal and logical location for the next well in the unit should be located on the unleased lands, which neither HEYCO, nor anyone else, will be able to lease until the amended RMP is completed.

Therefore, HEYCO is requesting the BLM suspend any obligations under the Bennett Ranch Unit Agreement pursuant to Paragraph #25 of the "Unit Agreement for the Development and Operation of the Bennett Ranch Unit Area". This suspension shall be for the Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement.

HEYCO wishes to thank you in advance for your consideration and cooperation concerning this matter. If you have any questions or comments, please contact me at 505/623-6601.

Yours very truly,

Vernon D. Dyer CPL #3174
Land Manager

VDD/dlm

BRUrequestuspensionunitobligations.doc/Land:BR#3

xc: Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

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

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

11,394

February 20, 2001

Bureau of Land Management
Roswell District Office
2909 West Second
Roswell, New Mexico 88201

Attention: Deputy Minerals Manager for Oil and Gas

Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Plan of Development/Operation - 2001

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator, submits this 2001 Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Bennett Ranch Unit Agreement.

In this regard, we are enclosing a current unit map showing the existing well and locations for the wells approved by the Bureau of Land Management (BLM) in 2000. The initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997.

Date	Well No.	Operation/Result	Unit Letter/Sec.
11/97	#1Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14

Since the completion of this well, the BLM has suspended all of the federal leases in this unit (and in all of the Orogrande Basin, as well). Although the BLM will allow HEYCO to drill additional wells on the Unit, the BLM will not allow HEYCO to produce the wells, nor has the BLM allowed for any type of transportation vehicle for the selling of the product. Therefore, HEYCO is unable to develop this unit until the BLM approves and allows for the installation of a pipeline for the transportation and sale of the product.

Based on the information submitted herewith, HEYCO respectfully requests that the BLM approve this 2001 Plan of Development and Operation.

Respectfully submitted,

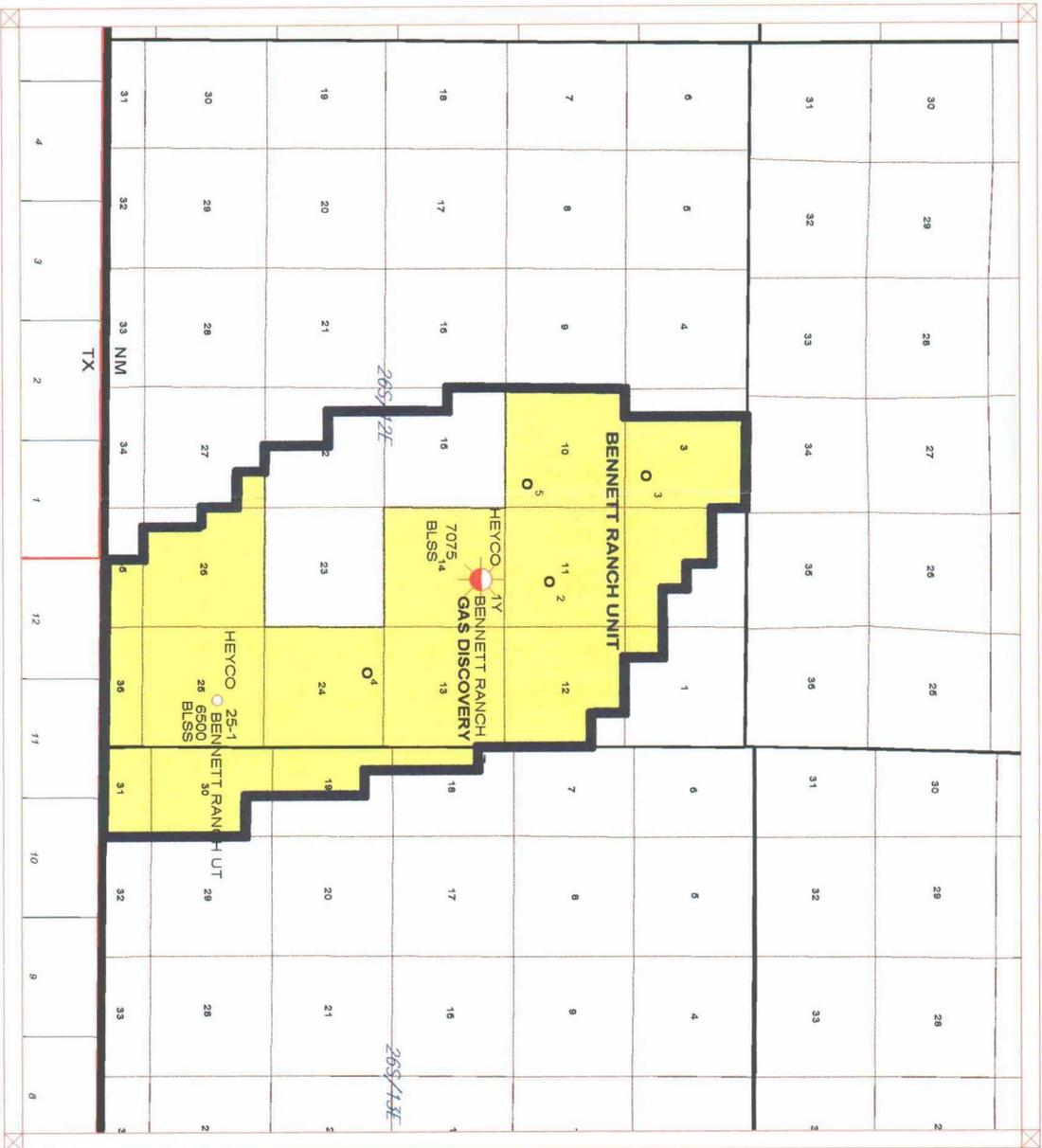
Steven M. Yates
Steven M. Yates
Vice-President

VDD/dlm
Enclosures

Bennettpod2001.doc/Land:BennettRanch#3

xc: ✓ Oil Conservation Division (w/encl.)
2040 South Pacheco St.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissioner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez



Scale 1:96000.



HEYCO
 BENNETT RANCH
 PLAN OF DEVELOPMENT

Ramon Reyes	Scale 1:96000	2/22/2001
		bu_jcd.gpd

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

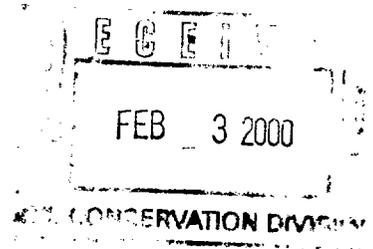
FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

January 31, 2000

Bureau of Land Management
Roswell District Office
2909 West Second
Roswell, New Mexico 88201

Attention: Deputy Minerals Manager for Oil and Gas



Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Plan of Development/Operation - 2000

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator, submits this 2000 Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Bennett Ranch Unit Agreement.

In this regard, we are enclosing a current unit map showing the existing well and locations for the wells approved by the Bureau of Land Management (BLM) in 1999.

The initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997.

Date	Well No.	Operation/Result	Unit Letter/Sec.
11/97	#1Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14

The BLM has since suspended all of the federal leases in this unit (and in all of the Orogrande Basin, as well). No oil and gas activity of any kind will be permitted until the BLM's Environmental Impact Study and subsequent Resource Management Plan have been completed. HEYCO is, therefore, unable to develop this unit until the BLM allows it to do so.

Based on the information submitted herewith, HEYCO respectfully requests that the BLM approve this 2000 Plan of Development and Operation.

Respectfully submitted,

Steven M. Yates
Steven M. Yates
Vice-President

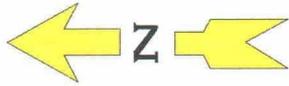
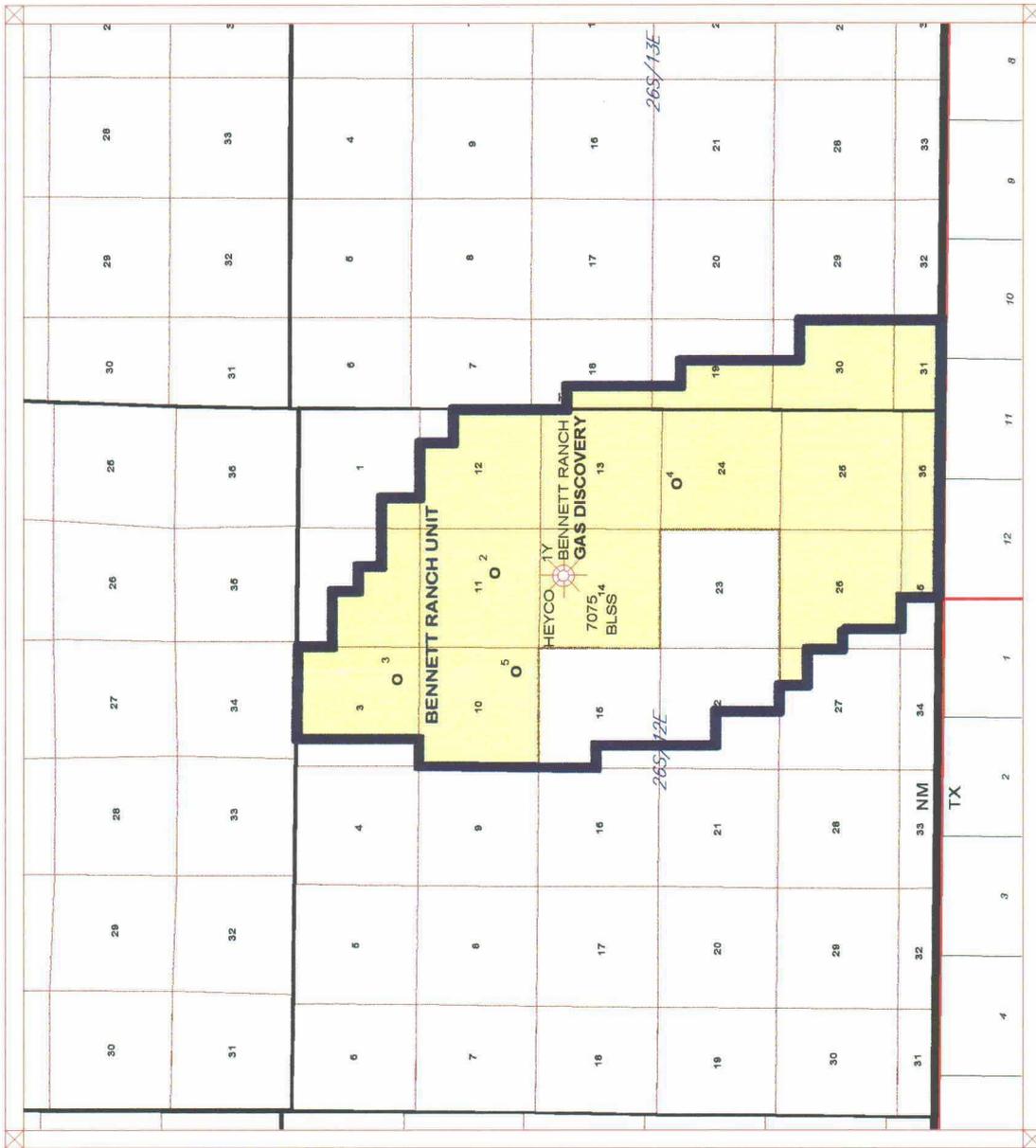
/dlm

Enclosures

Bennettpod2000.doc/Land:BennettRanch#3

xc: Oil Conservation Division (w/encl.)
2040 South Pacheco St.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissoner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez



Scale 1:96000.

0.2 0.4 0.6 0.8 1.0 miles



HEYCO

BENNETT RANCH UNIT
PLAN OF DEVELOPMENT

Ramon Reyes

Scale 1:96000.

1/26/00

bennetturup.dwg

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

OK'd 3/30/99

February 17, 1999

Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Roy E. Johnson, Sr. Petroleum Geologist

Re: Bennett Ranch Unit
Unit Agreement
#NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Initial Plan of Development and
Operation - 1999

Ladies & Gentlemen:

Attached is a copy of the 1999 Plan of Development and Operation for the Bennett Ranch Unit, with pertinent enclosures, which has been submitted to the Bureau of Land Management and the Commissioner of Public Lands for approval.

Harvey E. Yates Company respectfully requests your approval of this 1999 Plan of Development.

Very truly yours,

HARVEY E. YATES COMPANY

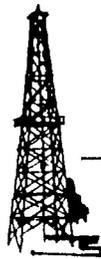
By: 
Diana L. Marshall, Land

/dlm
Enclosures

brpdocd.doc/A:br#3

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

February 16, 1999

Bureau of Land Management
Roswell District Office
2909 West Second
Roswell, New Mexico 88201

Attention: Deputy Minerals Manager
for Oil and Gas

Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Plan of Development and
Operation - 1999

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator, submits this 1999 Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Bennett Ranch Unit Agreement.

In this regard, we are enclosing a current unit map showing the existing well and locations for the wells proposed for 1999.

The initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997.

<u>Date</u>	<u>Well No.</u>	<u>Operation/Result</u>	<u>Unit Letter/Sec.</u>
11/97	#1Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14

HEYCO anticipates drilling the following unit wells in T-26S, R-12E in 1999.

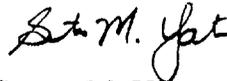
<u>Well No.</u>	<u>Objective/Depth</u>	<u>Location</u>
2	Fusselman	J-11 Section 11
3	Fusselman	O-3 Section 3
4	Fusselman	C-24 Section 24
5	Fusselman	P-10 Section 10

In addition to drilling the above-listed wells, HEYCO anticipates the installation of a 6" gas gathering system in the Bennett Ranch Unit to connect to a pipeline on the southern border of the unit.

HEYCO also anticipates shooting a 3D seismic survey covering the entire Bennett Ranch Unit.

Based on the information submitted herewith, HEYCO respectfully requests that the Bureau of Land Management approve this 1999 Plan of Development and Operation. We will be glad to supply further information if such is required.

Respectfully submitted,



Steven M. Yates
Vice-President

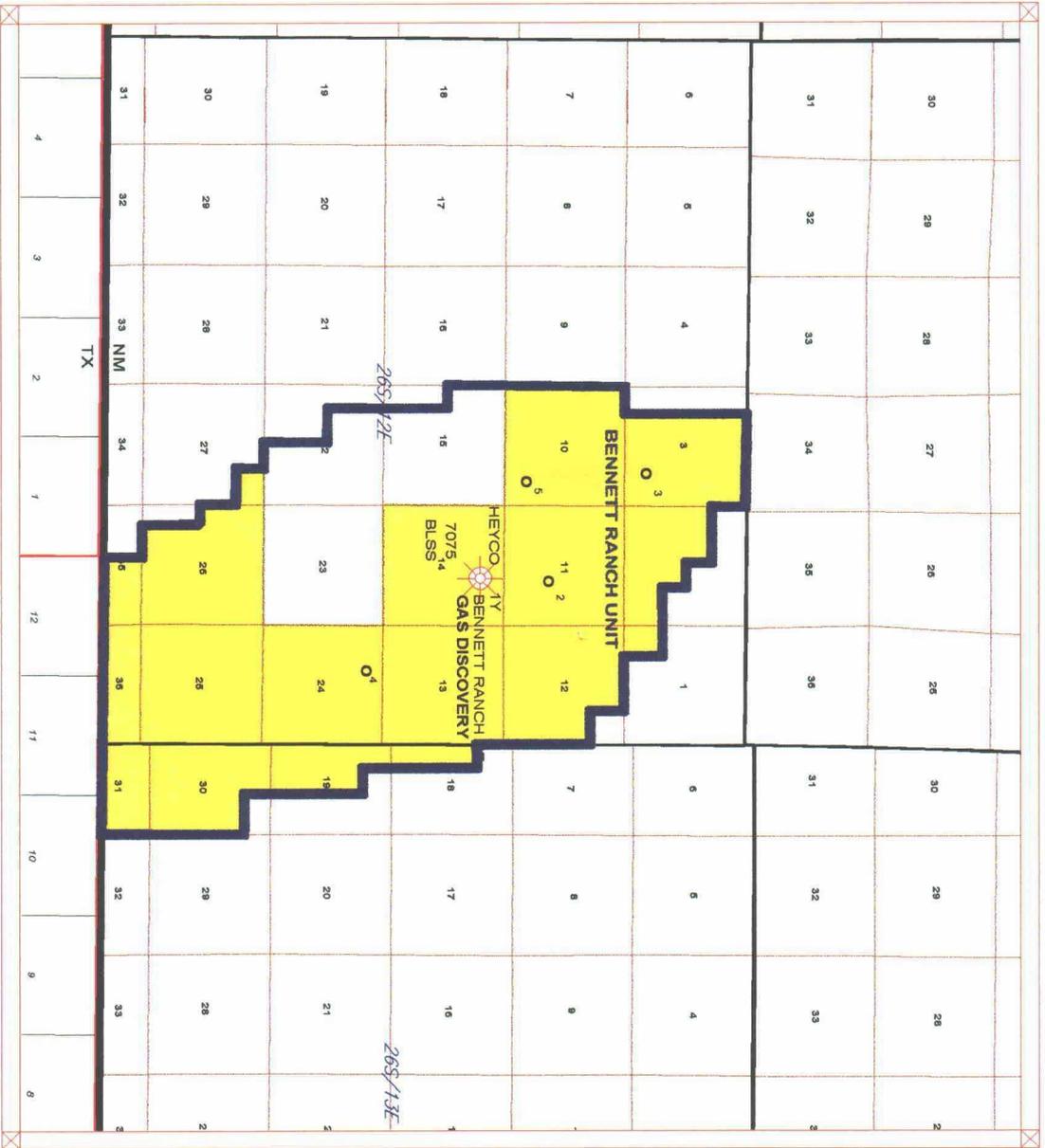
/dlm
Enclosures

bennettpod99.doc/A:br#3

xc: Oil Conservation Division (w/encl.)
2040 South Pacheco St.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissoner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez

Bennett Ranch Unit
Working Interest Owners (w/encl.)



Scale 1:96000.



HEYCO
 BENNETT RANCH UNIT
 PLAN OF DEVELOPMENT

HEYCO		
BENNETT RANCH UNIT		
PLAN OF DEVELOPMENT		
Runoff Rates	Scale 1:96000.	2/16/99
		WALP:JGF



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

11577
OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 28, 1998

Steven M. Yates
Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88202-1933

RE: 1998 Initial Plan of Development and Operation and
Application for Approval of Initial Participating Area
for the Mississippian Formation
Bennett Ranch Unit Area
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, NMPM
Otero County, New Mexico

Gentlemen:

The New Mexico Oil Conservation Division is in receipt of your above referenced application which has been approved on this date. Our approval is subject to like approval by the New Mexico State Land Office and the Bureau of Land Management where applicable.

Should you have any questions pertaining to this matter, please contact me at (505) 827-8198.

Sincerely,

A handwritten signature in cursive script, appearing to read "Roy E. Johnson".

Roy E. Johnson
Senior Petroleum Geologist

REJ:kv

cc: NMSLO
Bureau of Land Management - Roswell
Unit File

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

April 16, 1998

20

Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Roy E. Johnson, Sr. Petroleum Geologist

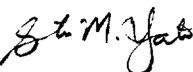
Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Initial Plan of Development and
Operation - 1998, and
Application for Approval of
Initial Participating Area
For the Mississippian Formation

Ladies & Gentlemen:

Attached is a copy of the Initial Plan of Development and Operation for the Bennett Ranch Unit, as well as a copy of the Application for Approval of Initial Participating Area for the Mississippian Formation, with pertinent enclosures, which has been submitted to the Bureau of Land Management this date for approval.

Harvey E. Yates Company respectfully requests your approval of this Plan of Development and Application for Approval of Initial Participating Area as well.

Very truly yours,


Steven M. Yates
Vice-President

/dlm
Enclosures

brpdocd.doc/A:br#3

HEYCO

HARVEY E. YATES COMPANY

PETROLEUM PRODUCERS



P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

April 16, 1998

Bureau of Land Management
Roswell District Office
2909 West Second
Roswell, New Mexico 88201

CONFIDENTIAL

Attention: Deputy Minerals Manager
for Oil and Gas

Re: Bennett Ranch Unit
Unit Agreement #NMNM94469X
T-26S, R-12 & 13E, N.M.P.M.
Otero County, New Mexico
Initial Plan of Development and
Operation - 1998

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator, submits this Initial Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Bennett Ranch Unit Agreement.

In this regard, we are enclosing a current unit map showing the existing well and locations for the wells proposed for 1998.

The initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997.

Date	Well No.	Operation/Result	Unit Letter/Sec.
11/97	#1Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14

HEYCO anticipates drilling the following unit wells in T-26S, R-12E in 1998.

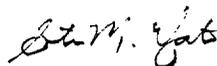
Well No.	Objective/Depth	Location
2	Complete in Upper Mississippian	J-11 Section 11
3	Complete in Upper Mississippian	O-3 Section 3
4	Complete in Upper Mississippian	C-24 Section 24
5	Complete in Upper Mississippian	P-10 Section 10

CONFIDENTIAL

HEYCO also anticipates shooting a 3D seismic survey covering the entire Bennett Ranch Unit.

Based on the information submitted herewith, HEYCO respectfully requests that the Bureau of Land Management approve this Initial Plan of Development and Operation. We will be glad to supply further information if such is required.

Respectfully submitted,



Steven M. Yates
Vice-President

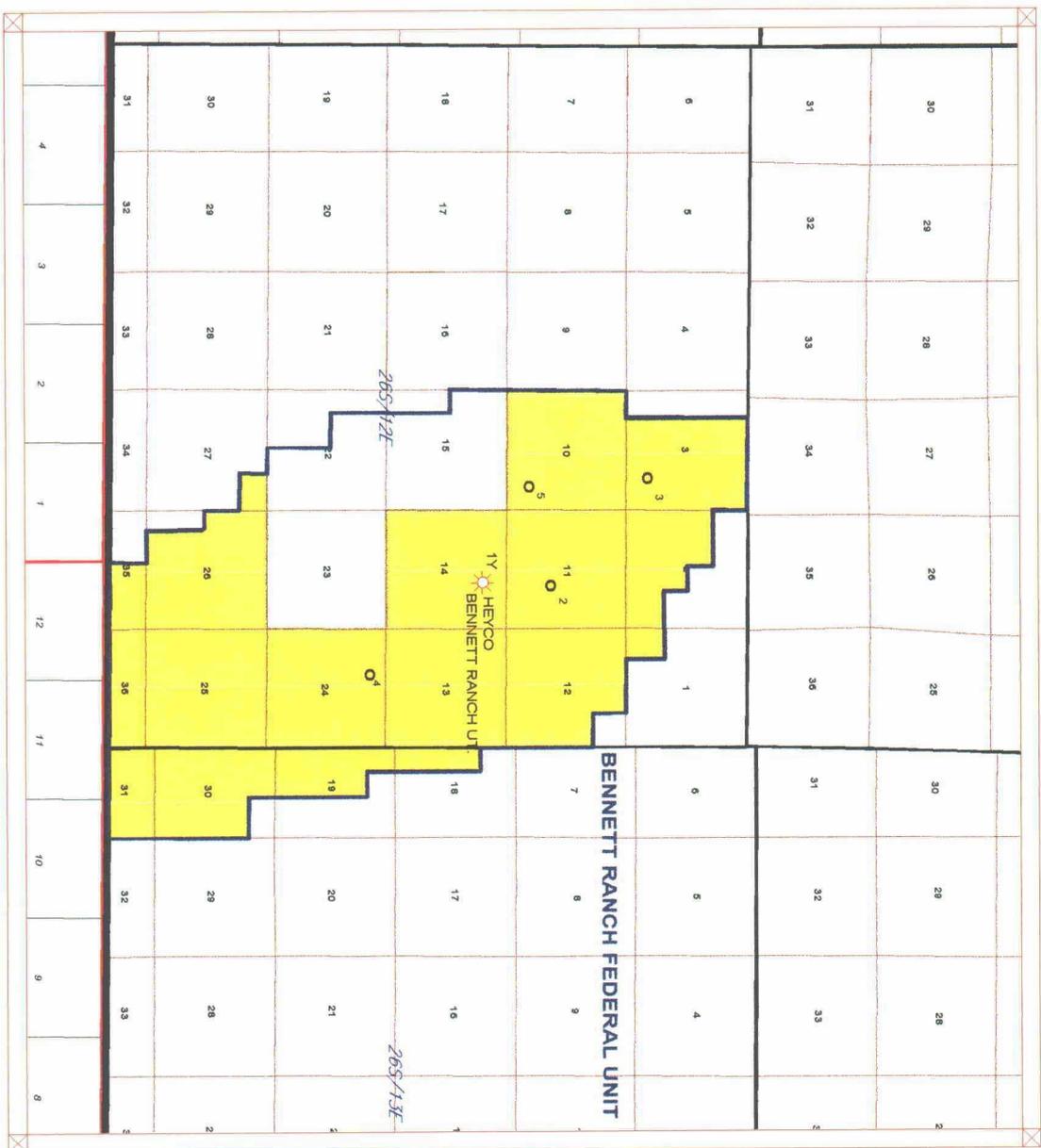
SAD/dlm
Enclosures

bennettpod.doc/A:br#3

xc: ✓ Oil Conservation Division (w/encl.)
2040 South Pacheco St.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissoner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez

Bennett Ranch Unit
Working Interest Owners (w/encl.)



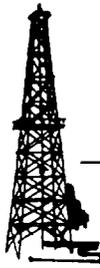
Scale 1:96000.



<p>HEYCO</p> <p>BENNETT RANCH</p> <p>PLAN OF DEVELOPMENT</p>		
GORDON/FARNEY	Scale 1:96000.	3/27/86

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

April 16, 1998

CONFIDENTIAL

United States Department of the Interior
Bureau of Land Management
2909 West Second
Roswell, New Mexico 88201

Attention: Armando Lopez, Authorizing Officer

Re: Bennett Ranch Unit Area
Otero County, New Mexico
No. NMNM94469X
Application for Approval of
Initial Participating Area
For the Mississippian Formation

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO), as Unit Operator for the Bennett Ranch Unit Agreement, pursuant to the provisions of Section 11 thereof, respectfully submits for your approval the selection of the following described lands to constitute the initial participating area for the Mississippian producing formation:

Township 26 South, Range 12 East, N.M.P.M.

Section 14: N/2
containing 320.0 net acres, more or less

In support of this application, the following numbered items are attached hereto and made a part hereof:

1. Ownership map showing the boundaries of the unit area and the proposed initial participating area. (Exhibit "A")
2. Schedule showing the lands entitled to participation in the unitized substances produced from the Mississippian formation, with the percentage of participation of each lease or tract indicated thereon. (Exhibit "B")

Applicant is submitting herewith geological and engineering data supporting and justifying the proposed selection of the participating area.

1. Letter and supporting data submitted to the BLM for commercial well determination for the Bennett Ranch Unit #1Y. (Exhibit "C")
2. Map of unit outline showing the faulting at Fusselman level. (Exhibit "D")

CONFIDENTIAL

This proposed initial participating area is predicated upon the knowledge and information first obtained upon completion in paying quantities under the terms of the unit agreement of the following well:

Bennett Ranch Unit No. 1Y, situated 990' FNL & 2005' FEL of Section 14, Township 26 South, Range 12 East, NMPM, Otero County, NM with an initial production of 2200 MCFGPD at a depth of 4,506-4518'.

A 320-acre participating area is indicated at this time because of the potentially discontinuous nature of the Mississippian Formation producing zone and because of faulting, as shown on Exhibit "D" which could also compartmentalize the producing zone to a portion of the unit.

The effective date of this initial area shall be November 10, 1997, pursuant to Section 11 of the unit agreement.

Accordingly, applicant respectfully requests your approval of the hereinabove selection of lands to constitute the initial Mississippian formation participating area, to be effective November 10, 1997.

HARVEY E. YATES COMPANY

By: Steven M. Yates
Steven M. Yates, Vice-President

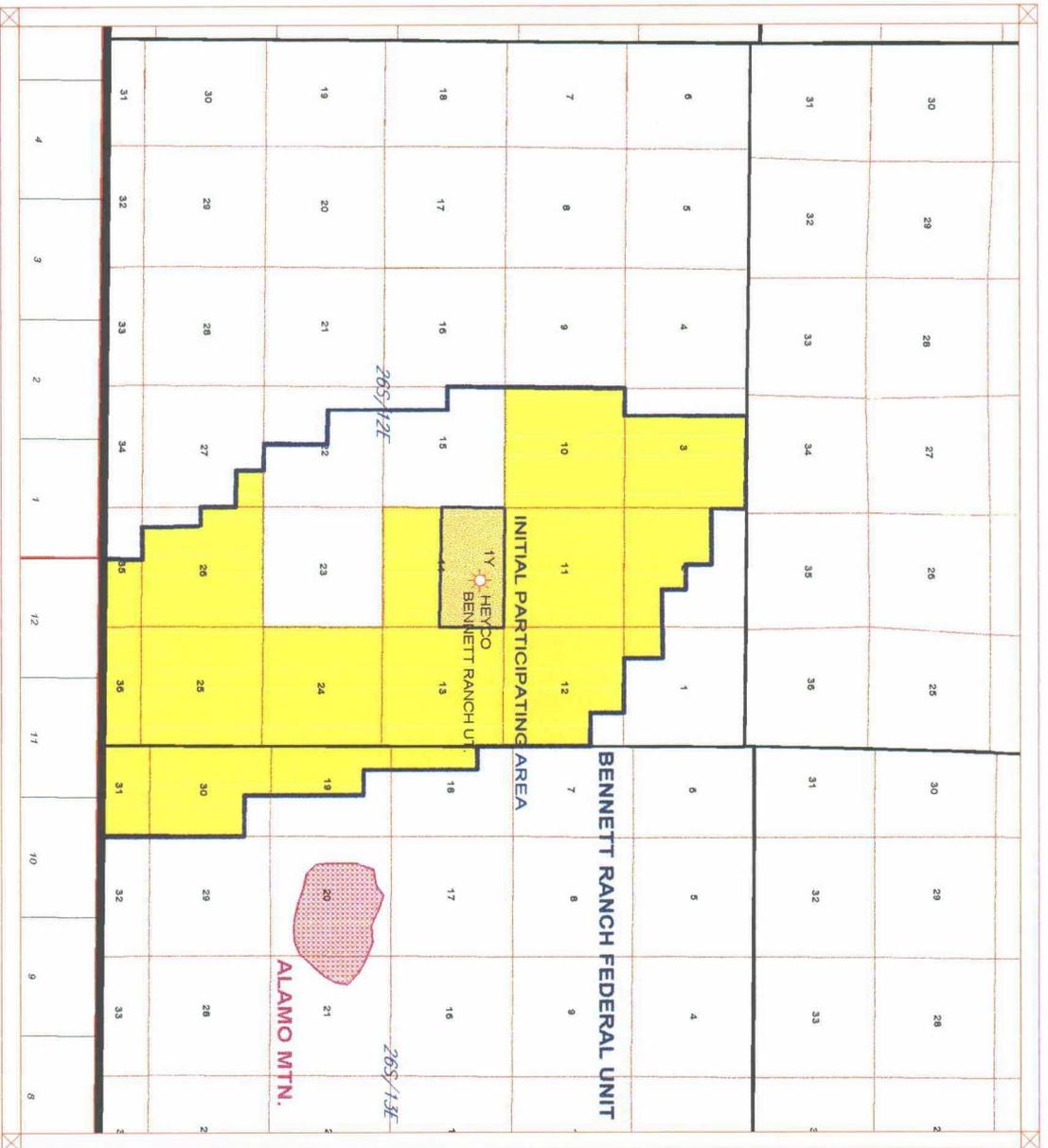
GKY/dlm
Enclosures

bnntrchipa.doc/A:br#3

xc: ✓ Oil Conservation Division (w/encl.)
2040 South Pacheco St.
Santa Fe, New Mexico 87505
Attn: Roy Johnson, Sr. Petroleum Geologist

Commissoner of Public Lands (w/encl.)
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez

CONFIDENTIAL



Scale 1:96000.



HEYCO	
BENNETT RANCH PARTICIPATING AREA MAP	
GORDON VAHNET	4/15/86
Scale 1:96000.	

EXHIBIT "A"

Bennett Ranch Unit-Otero Co., NM
Initial Mississippian Formation
Participating Area

CONFIDENTIAL

EXHIBIT B
BENNETT RANCH UNIT-OTERO COUNTY, NEW MEXICO
INITIAL MISSISSIPPIAN FORMATION PARTICIPATING AREA

UNIT TRACT LAND NO.	DESCRIPTION	# OF ACRES	SERIAL # & LEASE EXP.	BASIC ROYALTY	LESSEE OF RECORD(%)	WORKING INTEREST OWNERSHIP (Decimal)
---------------------------	-------------	---------------	--------------------------	------------------	------------------------	---

FEDERAL LANDS:

2.	T-26S, R-12E Sec. 14: N/2	320.00	NM-71526 03/31/98 (HBU)	12.50%	Harvey E. Yates Co. 21.1791219%	Harvey E. Yates Co. .21179121 Spiral, Inc. .05789198 Explorers Petroleum .031722995 HEYCO Emp. Ltd. .01108686 Burlington Resources .50000000 Rudman Partnership .18750000
					Burlington Resources 50.0000000%	
					Rudman Partnership 18.7500000%	

HARVEY E. YATES COMPANY (HEYCO)

PETROLEUM PRODUCERS

ONE SUNWESTCENTRE
P.O. BOX 1933
ROSWELL, NEW MEXICO 88202

PHONE: (505) 623-6601
FAX: (505) 624-5321

February 1, 1998

Mr. Armondo Lopez
Bureau of Land Management
2909 West Second
Roswell NM, 88201

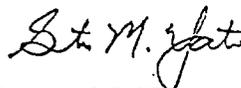
CONFIDENTIAL

Re: Commercial Determination
Bennett Ranch Unit #1Y

Dear Armondo,

Please accept the enclosed documents as proof that our Bennett Ranch Unit #1Y well has discovered sufficient reserves of hydrocarbons to qualify it as a commercial well. Included are our 4-pt test conducted 11/12/97, a volumetric gas recovery calculation prepared 11/21/97 by Ray Nokes, a completed well cost prepared 1/8/98 by Bob Williams and a present value reserve analysis prepared 2/13/98 by Ray Nokes. As you can see, this well is capable of producing 3.615 MMCF/d AOF, has recoverable reserves of 1.4 BCF, will cost \$907,574 to drill and complete, and has an net present value of \$1.2MM discounted at 10%. We trust that this information is sufficient for you to conclude as we have that this well is commercial. Please call if you have any questions.

Best regards,



Steven M. Yates
Vice President

EXHIBIT "C"
BENNETT RANCH UNIT - OTERO COUNTY, NEW MEXICO
INITIAL MISSISSIPPIAN FORMATION PARTICIPATING AREA

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

CONFIDENTIAL

MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL

Operator Harvey E. Yates Company				Lease or Unit Name Bennett Ranch Unit			
Type Test <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special				Test Date 11/12/97		Well No. 1Y	
Completion Date 11/10/97		Total Depth 7075		Plug Back TD 4970		Elevation 5100' GL	
Csg. Size 5 1/2		Wt. 17#		d 4.892		Set At 7075	
Tbg. Size 2 3/8		Wt. 14.7#		d 1.995		Set At 4422	
Type Well - Single - Bradenhead - G.G. or G.O. Multiple Single				Packer Set At 4422		Formation Mississippian	
Producing Thru Tbg		Reservoir Temp. °F 148 @ 4000		Mean Annual Temp. °F 60		Baro. Press - P _a 13.2	
L 4000		H 4000		G _s 0.570		% CO ₂ 0.18	
				% N ₂ 2.81		% H ₂ S	
Prover				Meter Run 4.026		Taps Flg	

FLOW DATA						TUBING DATA		CASING DATA		Duration of Flow
NO.	Prover Line Size	Orifice Size	Press. p.s.i.g.	Diff. h _w	Temp. °F	Press. p.s.i.g.	Temp. °F	Press. p.s.i.g.	Temp. °F	
1.	4.026 x 2.000		90	3"	63	1187		PACKER		11 Hours
2.	4.026 x 2.000		100	8"	86	1134				1 Hour
3.	4.026 x 2.000		120	14"	85	1000				1 Hour
4.	4.026 x 2.000		120	21"	84	930				1 Hour
5.										

RATE OF FLOW CALCULATIONS

NO.	COEFFICIENT (24 HOUR)	$h_w P_m$	Pressure P _m	Flow Temp. Factor Ft.	Gravity Factor Fg.	Super Compress. Factor, F _{spv} .	Rate of Flow Q, Mcfd
1.	19.81	17.60	103.2	.9971	1.325	1.006	463
2.	19.81	30.09	113.2	.9759	1.325	1.009	778
3.	19.81	43.18	133.2	.9768	1.325	1.009	1117
4.	19.81	52.89	133.2	.9777	1.325	1.009	1370
5.							

NO.	P _r	Temp. °R	T _r	Z	Gas Liquid Hydrocarbon Ratio	Dry Gas	Mcf/bbl.
1.	.15	523	1.53	.988	A.P.L. Gravity of Liquid Hydrocarbons: Dry		Deg.
2.	.16	546	1.60	.983	Specific Gravity Separator Gas: 0.570		XXXXXXXXXX
3.	.19	545	1.60	.983	Specific Gravity Flowing Fluid: XXXXX		
4.	.19	544	1.60	.983	Critical Pressure * 669		P.S.I.A. P.S.I.A.
5.					Critical Temperature * 340		R R

NO.	P _i ²	P _w	P _w ²	P _c ² - P _w ²
1.		1161.8	1349.8	109.5
2.		1097.5	1204.5	254.8
3.		1039.5	1080.6	378.7
4.		987.5	975.2	484.1
5.				

1) $\frac{P_c^2}{P_c^2 - P_w^2} = 3.014$ 2) $\left[\frac{P_c^2}{P_c^2 - P_w^2} \right]^n = 2.639$

AOF = Q $\left[\frac{P_c^2}{P_c^2 - P_w^2} \right]^n = 3,615$

Absolute Open Flow 3,615 Mcfd @ 15.025, Angle of Slope θ 48.67 Slope, n 0.8794

Remarks: No fluid produced during test

* = Corrected to 2.81% N₂ ** = BHP Instruments set at this depth

Approved By Division _____ Conducted By: Jarrel Services, Inc. Calculated By: Bob Murray Checked By: Bob Murray

RECOVERABLE GAS CALCULATIONS

DATE: 11/21/97

WELL NAME OR PROSPECT: BENNETT RANCH FED. UT. 1-Y

LOCATION: OTERO COUNTY, NEW MEXICO

ACRES:

DEPTH INTERVAL: FEET

NET FEET OF PAY: FEET

PERFORATED
INTERVAL

POROSITY (%):

SW (%): EST.

RESERVOIR TEMP., (T= DEGR. F)

RESERVOIR PRESS., (P= PSIA)

CU. FT. GAS @ RES. COND. SCF
ACRE FEET

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GAS GRAVITY @ RESERVOIR CONDITIONS:

PSEUDO CRITICAL TEMP: DEGR. RANKINE

PSEUDO CRITICAL PRESSURE: PSIA

PSEUDO REDUED TEMP:

PSEUDO REDUCED PRESS:

Z=

CU FT. GAS @ STD COND. PER ACRE
ACRE FT.

CU FT. GAS @ STD COND. IN PLACE AREA= SCF GAS IN PLACE

EST. RECOVERABLE GAS @ 80%= SCF GAS PER ACRE FOOT

EST. RECOVERABLE GAS @ 80%= SCF GAS PER ACRE FOR NET PAY

EST. RECOVERABLE GAS @ 80%= SCF GAS (GROSS PAY FOR PROSPECT)

13-Feb-98
00000-000

HARVEY E. YATES COMPANY
EFT ECONOMIC EVALUATION AND PAYOUT
By RAY F. NOKES

PROPERTY NO. 00000-000

NAME OF WELL: BENNETT GAS WELL (U)

RESERVE CLASS: FIELD

1ST DISCOUNT RATE=

DRL & COMPL COST=

OIL SEVERANCE TAX=

GAS SEVERANCE TAX=

GROSS REV: TO DATE=

1ST DECLINE:

2ND DECLINE:

3RD DECLINE:

4TH DECLINE:

FINAL DECLINE:

0.1 BBL/S/M/MCF 3RD DECLINE:

0.0 BO

100 BO

100 BO

1998

1

515.50 /BO

315.00 /BO

53,800 PER MONTH

54,757 PER MONTH

100.00%

87.50%

100.00%

87.50%

8.00%

4.00%

30,000 MCF/MO

0 MCF

1,001,131 MCF

21,503

304,784

523,244

679,830

792,066

872,514

930,176

971,507

1,001,131

1,002,365

1,037,585

1,048,494

1,056,314

1,065,936

1,070,879

1,072,358

1,073,419

1,074,179

1,074,724

1,075,114

1,075,394

1,075,595

1,075,738

1,075,841

6%

3%

\$1,094,700

0.087

0.087

50

33.3%

33.3%

33.3%

33.3%

PAYOUT OCCURS IN YRS=

LIFE OF WELL IN YEARS=

TOTAL NET REVENUE=

TOTAL VI LOE & D&C COSTS=

NET REVENUE (LOE & D&C)=

TOTAL DISC NET REVENUE=

RATIO NRI TO EXPENSES=

AVERAGE \$ / BO=

AVERAGE \$ / MCF=

3.47
8
\$1,815,002.88
\$1,500,190.52
\$314,812.36
\$1,209,937.21
1.21 TO 1

\$19.02
\$2.45

NO. YRS	YEAR	GAS PROD. (MCF)	AVG RATE (MCF/MO)	ENDING RATE (MCF/MO)	CUM MCF (MCF)	OIL PROD. (BO)	CUM OIL (BBL)	YEARLY L.O.E.	YRS AVG \$/BO	YRS AVG \$/MCF	NET REVENUE MINUS L.O.E.	DISC NET REV.	NRI-D&C COST	PAYOUT IN MONTHS
1	1998	304,784	25,399	18,205	15,413	523,244	52	\$46,968	\$16.74	\$2.16	\$330,293	\$293,959	(\$62,954)	0.00
2	1999	218,460	18,205	15,413	523,244	52	\$46,968	\$16.74	\$2.16	\$2.16	\$330,293	\$293,959	(\$62,954)	0.00
3	2000	156,586	13,049	11,047	679,830	16	\$48,377	\$18.08	\$2.33	\$2.33	\$243,665	\$204,586	(\$78,996)	0.00
4	2001	112,236	9,353	7,918	792,066	11	\$49,828	\$18.80	\$2.43	\$2.43	\$167,872	\$132,970	(\$88,875)	41.65
5	2002	80,447	6,704	5,676	872,514	8	\$51,223	\$19.55	\$2.52	\$2.52	\$110,959	\$82,915	(\$199,835)	0.00
6	2003	57,662	4,805	4,068	930,176	6	\$52,863	\$20.34	\$2.62	\$2.62	\$68,109	\$48,014	(\$267,944)	0.00
7	2004	41,331	3,444	2,916	971,507	4	\$54,449	\$21.15	\$2.73	\$2.73	\$35,729	\$3,762	(\$303,673)	0.00
8	2005	29,625	2,469	2,090	1,001,131	3	\$56,082	\$22.00	\$2.84	\$2.84	\$11,140	\$6,989	(\$314,812)	0.00
9	2006	21,234	1,770	1,498	1,022,365	2	\$57,765	\$22.88	\$2.95	\$2.95	(\$7,655)	(\$4,531)	(\$307,158)	0.00
10	2007	15,220	1,268	1,074	1,037,585	2	\$59,498	\$23.79	\$3.07	\$3.07	(\$2,144)	(\$12,365)	(\$285,014)	0.00
11	2008	10,909	909	770	1,048,494	1	\$61,283	\$24.74	\$3.19	\$3.19	(\$3,437)	(\$17,614)	(\$251,577)	0.00
12	2009	7,819	652	552	1,056,314	1	\$63,211	\$25.73	\$3.32	\$3.32	(\$2,364)	(\$21,054)	(\$209,213)	0.00
13	2010	5,605	467	395	1,061,918	1	\$65,015	\$26.76	\$3.45	\$3.45	(\$9,547)	(\$23,227)	(\$159,671)	0.00
14	2011	4,017	335	283	1,065,936	0	\$66,965	\$27.83	\$3.50	\$3.50	(\$55,714)	(\$24,647)	(\$101,947)	0.00
15	2012	2,879	240	203	1,068,815	0	\$68,974	\$28.95	\$3.50	\$3.50	(\$60,916)	(\$25,418)	(\$43,031)	0.00
16	2013	2,064	172	146	1,070,879	0	\$71,043	\$30.10	\$3.50	\$3.50	(\$65,269)	(\$25,692)	(\$27,236)	0.00
17	2014	1,479	123	104	1,072,358	0	\$73,175	\$31.31	\$3.50	\$3.50	(\$69,035)	(\$25,617)	(\$91,271)	0.00
18	2015	1,069	88	75	1,073,419	0	\$75,370	\$32.56	\$3.50	\$3.50	(\$72,402)	(\$25,366)	(\$163,673)	0.00
19	2016	760	63	54	1,074,179	0	\$77,631	\$33.86	\$3.50	\$3.50	(\$75,504)	(\$24,955)	(\$219,177)	0.00
20	2017	545	45	38	1,074,724	0	\$79,960	\$35.00	\$3.50	\$3.50	(\$78,435)	(\$24,456)	(\$317,612)	0.00
21	2018	390	33	28	1,075,114	0	\$82,359	\$36.00	\$3.50	\$3.50	(\$81,266)	(\$23,905)	(\$398,878)	0.00
22	2019	280	23	20	1,075,394	0	\$84,819	\$36.00	\$3.50	\$3.50	(\$84,046)	(\$23,321)	(\$487,924)	0.00
23	2020	201	17	14	1,075,595	0	\$87,374	\$36.00	\$3.50	\$3.50	(\$86,813)	(\$22,727)	(\$569,330)	0.00
24	2021	144	12	10	1,075,738	0	\$89,996	\$36.00	\$3.50	\$3.50	(\$89,592)	(\$22,128)	(\$659,330)	0.00
25	2022	103	9	7	1,075,841	0	\$92,695	\$36.00	\$3.50	\$3.50	(\$92,407)	(\$21,531)	(\$751,237)	0.00

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

(See instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0137
Expires: February 28, 1995

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

b. TYPE OF COMPLETION: NEW WELL WORK OVER REPER. PLUG BACK DIFF. REPER. Other _____

2. NAME OF OPERATOR
Harvey E. Yates Company

3. ADDRESS AND TELEPHONE NO.
P.O. Box 1933, Roswell, N.M. 88202 505/623-6601

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface 990' FNL & 2005' FEL
At top prod. interval reported below
At total depth _____

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14. PERMIT NO. _____ DATE ISSUED _____

5. LEASE DESIGNATION AND SERIAL NO.
NM-71526

6. IF INDIAN, ALLOTTEE OR TRIBE NAME _____

7. UNIT AGREEMENT NAME
Bennett Ranch Unit

8. FARM OR LEASE NAME, WELL NO.
Bennett Ranch Unit #1Y

9. API WELL NO.
30-035-20028

10. FIELD AND POOL, OR WILDCAT
Wildcat, Mississippian

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA
Sec. 14, T26S, R12E

12. COUNTY OR PARISH
Otero

13. STATE
N.M.

15. DATE SPUDDED 8/3/97 16. DATE T.D. REACHED 8/25/97 17. DATE COMPL. (Ready to prod.) 11/10/97 18. ELEVATIONS (DP, RKB, RT, GR, ETC.)* 5100' 19. ELEV. CASINGHEAD same

20. TOTAL DEPTH, MD & TVD 7075' 21. PLUG BACK T.D., MD & TVD 4970' 22. IF MULTIPLE COMPL., HOW MANY* _____ 23. INTERVALS DRILLED BY ROTARY TOOLS CABLE TOOLS
All

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*
4506-4518' Mississippian

25. WAS DIRECTIONAL SURVEY MADE
No

26. TYPE ELECTRIC AND OTHER LOGS RUN
CNL/FDC/GR, DLL/GR, CBL/CCL/GR

27. WAS WELL CORDED
No

28. CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
13 3/8"	54.5#, J-55	707'	17 1/2"	625, Circ 220 sks	
8 5/8"	36#, J-55	2865'	12 1/4"	1200, Circ 334 sks	
5 1/2"	17#, J-55	7075'	7 7/8"	1000, TOC @ 3704' by CBL	9/22/97

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
2 3/8"	4422.36'	@ 4422.36'

31. PERFORATION RECORD (Interval, size and number)
TCP 4506-4518' (2 jsdf = 25 holes)

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
4506-4518'	natural
***SEE ATTACHED SCHEMATIC FOR TEST RECORD OF INTERVALS	

33.* PRODUCTION

DATE FIRST PRODUCTION 11/10/97 PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) flowing WELL STATUS (Producing or shut-in) SI

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
12/12/97	24 hrs	20/64"	TSTM	TSTM	2200	TSTM	0
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)	
910#	0	TSTM	TSTM	2200	TSTM	N/A	

34. DISPOSITION OF GAS (Bold, used for fuel, vented, etc.)
SI (vented during test), WOPL TEST WITNESSED BY Ray Nokes

35. LIST OF ATTACHMENTS
E-logs, C-102, deviation survey

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED Ray F. Nokes TITLE Prod. Mgr/Eng DATE 2/16/98

*(See Instructions and Spaces for Additional Data on Reverse Side)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

SEP 09 1997

STATE OF NEW MEXICO
DEVIATION REPORT

400	1-1/2
680	2-1/4
861	2-1/4
1,200	3
1,344	3-1/4
1,439	3-1/4
1,532	3
1,819	2
2,007	2-1/2
2,124	2-1/4
2,290	2-3/4
2,825	3-3/4
3,158	2-1/4
3,488	2
3,780	1
4,267	1
4,737	1
5,233	2
5,514	2-1/2
5,732	2
5,982	4
6,044	2
6,510	1-1/4
7,005	1-1/2

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By: Ray Peterson

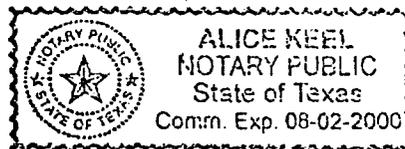
STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me
this 4th day of September, 1997, by RAY PETERSON
on behalf of PETERSON DRILLING COMPANY.

Notary Public for Midland
County, Texas

My Commission Expires: 8/2/2000



HARVEY E. YATES COMPANY
WELLBORE SCHEMATIC & PROCEDERE SHEET
BY RAY F. NOKES

OPERATOR: HARVEY E. YATES COMPANY
WELL NAME: BENNETT RANCH UNIT NO. 1-V
LEASE #: 004-31524 API # 26-035-20038
LOCATION: #99 FSL & 2005' FEL.
FIELD: WILDCAT MISSISSIPPIAN
ELEVATION: 5100' GL (11.5' KB)

SPUD DATE: 8/27/97
COMP DATE: 11/11/97
TD: 7,075'
POTD: 4970'

SURFACE	13.3" 51.9 J-55
WT & GRD	707'
DEPTH	425-200 TAIL
SSS CNT	CIR 211 SKS
TOC	1 1/2"
BIT SIZE	
INTERVAL DATE	
WT & GRD	9.58" 364 J-55
DEPTH	2,865'
SSS CNT	1000-200 TAIL
TOC	CIRC 314 SKS
BIT SIZE	12 1/4"

WT & GRD	707'
DEPTH	2,865'
SSS CNT	
TOC	
BIT SIZE	
INTERVAL DATE	
WT & GRD	9.58" 364 J-55
DEPTH	2,865'
SSS CNT	1000-200 TAIL
TOC	CIRC 314 SKS
BIT SIZE	12 1/4"

WT & GRD	707'
DEPTH	2,865'
SSS CNT	
TOC	
BIT SIZE	
INTERVAL DATE	
WT & GRD	9.58" 364 J-55
DEPTH	2,865'
SSS CNT	1000-200 TAIL
TOC	CIRC 314 SKS
BIT SIZE	12 1/4"

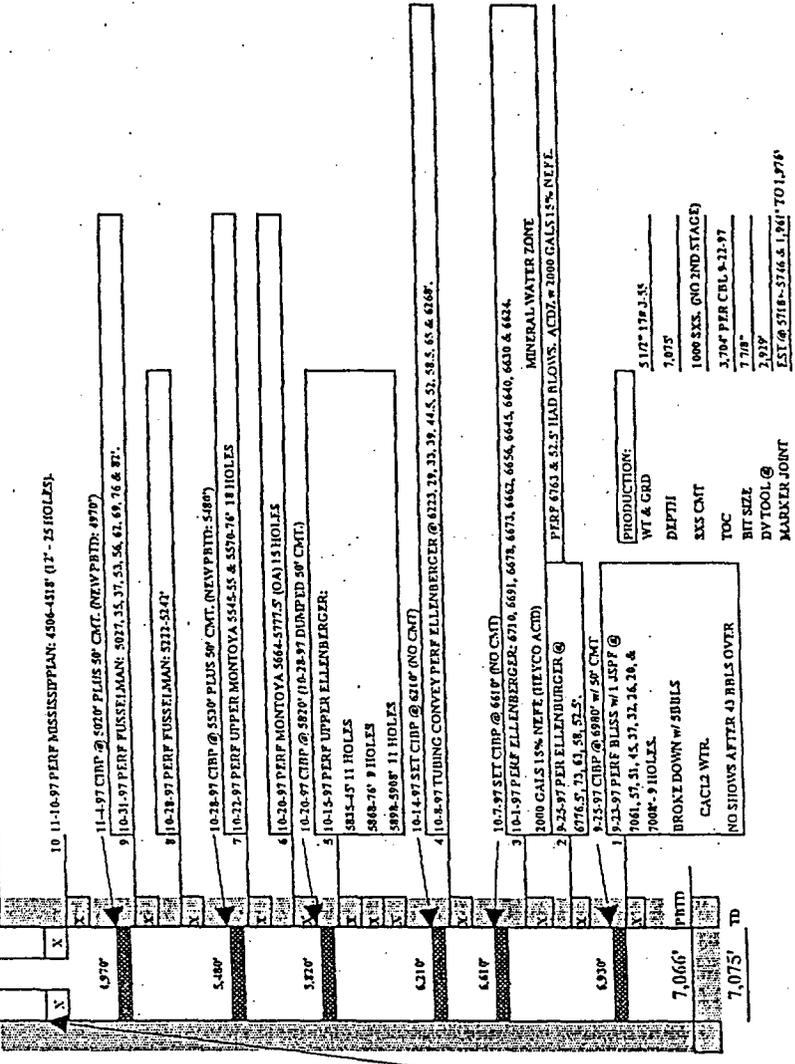
PROCEDURE

MISSISSIPPIAN- INTERVAL OF INTEREST 4506-4567' (OA)

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UNI-V PKR @ 4422.36'



TUBING: 2 3/8" 4.7 J-55
SIZE: SN @ 4422.36'
DEPTH: UNI-V PKR @ 4422.36'
PROMANCIOR:

HARVEY E. YATES COMPANY

CONFIDENTIAL

LEASE NAME & NO.: BENNETT RANCH UNIT #2
 LEGAL LOCATION: 1980' FSL & 1980' FEL SEC 11, T26S, R12E
 COUNTY: OTERO STATE: NM DEPTH: 4650
 AFE TYPE: 1=DRG. 2=W/O 3=RE-COMP 4=OTHER 5=P&A

ACCT NO: 0
 FILE NO: B.BRANCH #2
 AFE NO: DO1
 FORMATION: UPPER MISS.

DRILLING & COMPLETION COSTS:				DRY HOLE COSTS	PRODUCING WELL COSTS
920-000	INTANGIBLE DRILLING COSTS:				
921-000	STAKING DAMAGES & LEGAL FEES			\$1,500	\$1,500
921-001	LOCATION, RIGHT OF WAY			\$35,000	\$35,000
921-002	FOOTAGE: FEET @ \$/FOOT	4,650	\$0.00	\$0	\$0
921-003	DAYWORK: DAYS & \$/DAY	17	\$7,443	INC. RIG MOVE \$173,156	\$173,156
921-004	SURFACE CASING CEMENTING & SERVICE			\$13,600	\$13,600
921-005	DRILLING MUD, ADDITIVES & WATER			\$60,000	\$60,000
921-006	MUD LOGGING UNIT, SURVEYS ETC.			\$7,650	\$7,650
921-007	INTERMEDIATE CASING CEMENTING & SERVICES			\$30,000	\$30,000
921-008	GENERAL MISC. (BOP TEST, RATHOLE...ETC)			\$44,000	\$44,000
922-000	RENTAL TOOLS & EQUIPMENT			\$119,000	\$119,000
922-001	COMPANY SUPERVISION & OVERHEAD			\$9,450	\$9,450
922-004	MISC. BITS, TOOLS & SUPPLIES			\$25,000	\$25,000
	MISC. CONTINGENCIES			\$25,918	\$25,918
	TOTAL INTANGIBLE DRILLING COSTS			\$544,274	\$544,274
923-000	INTANGIBLE FORMATION EVALUATION:				
923-001	CORING, TOOLS & SERVICE			\$8,600	\$8,600
923-002	DST: # DST TO RUN/ \$ CHARGE	2	\$7,500	\$15,000	\$15,000
923-003	ELECTRIC LOGS, ...ETC			\$30,000	\$30,000
923-004	MISC. FORMATION EVAL.			\$2,000	\$2,000
	MISC. CONTINGENCIES			\$2,780	\$2,780
	TOTAL INTANGIBLE FORMATION EVALUATION			\$58,380	\$58,380
924-000	INTANGIBLE COMPLETION COSTS:				
924-001	COMPLETION UNIT: DAYS & \$/DAY	10	\$2,000	\$0	\$20,000
924-003	MUD, WATER & ADDITIVES			\$0	\$5,000
924-004	CEMENT, TOOLS & SERVICES (PROD.STRING...ETC)			\$0	\$27,500
924-005	ELECTRIC LOGS(CBL...ETC.), TESTING			\$0	\$12,000
924-006	TOOL & EQUIPMENT RENTAL & TRUCKING			\$0	\$10,000
924-007	STIMULATION & TREATING			\$0	\$15,000
924-008	COMPANY SUPERVISION & OVERHEAD			\$0	\$4,500
925-001	BITS, TOOLS & SUPPLIES			\$0	\$5,000
925-002	PLUG BACK			\$0	\$6,000
950-000	PLUGGING EXPENSE			\$10,000	\$0
	MISC. CONTINGENCIES			\$500	\$5,250
	TOTAL INTANGIBLE COMPLETION COSTS			\$10,500	\$110,250
930-000	TANGIBLE DRILLING & COMPLETION COSTS:				
930-001	SURFACE CASING COSTS (SIZE/FT)	13 3/8	900	\$21,600	\$21,600
930-002	INTERMEDIATE CASING (SIZE/FT)	9 5/8	3100	\$45,000	\$45,000
930-003	PRODUCTION CASING (SIZE/FT)	5 1/2	4650	\$0	\$36,800
930-004	PRODUCTION TUBING (SIZE/FT)	2 3/8	4650	\$0	\$16,000
930-005	CASING HEAD			\$0	\$4,900
930-006	CASING SPOOL			\$0	\$0
930-007	TUBING HEAD			\$0	\$4,600
930-008	CHRISTMAS TREE			\$0	\$6,500
931-000	SUBSURFACE EQUIPMENT			\$0	\$0
931-001	MISC PIPE CONNECTIONS			\$0	\$1,500
931-002	PACKER & SPECIAL EQUIPMENT			\$0	\$5,500
931-003	MISC. CONTINGENCIES			\$3,330	\$7,120
	TOTAL TANGIBLE DRILLING & COMPLETION COSTS			\$69,930	\$149,520
940-000	GENERAL LEASE & BATTERY EQUIPMENT:				
940-001	PUMPING UNIT (PRIME MOVER)			\$0	\$0
940-002	SEPARATORS, GAS PROD.UNITS,...ETC.			\$0	\$9,000
940-005	TANKS: NO. & SIZE	1	300 BBL	\$0	\$4,500
941-000	INSTALLATION COSTS			\$0	\$20,000
941-001	FLOW LINES, VALVES...ETC			\$0	\$4,500
941-005	MISCELLANEOUS LEASE EQUIPMENT			\$0	\$5,000
	MISC. CONTINGENCIES			\$0	\$2,150
	TOTAL GENERAL LEASE & BATTERY EQUIPMENT COSTS			\$0	\$45,150
	TOTAL INTANGIBLE COSTS:			\$613,154	\$712,904
	TOTAL TANGIBLE COSTS:			\$69,930	\$149,520
	TOTAL LEASE & BATTERY EQUIPMENT:			\$0	\$45,150

\$683,084 \$907,574

TOTAL COSTS PREPARED BY: BOB WILLIAMS DATE: 1/8/98

APPROVED BY: _____

COMPANY: _____

DATE: _____

"IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY, AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED, WHETHER MORE OR LESS THAN HEREIN SET OUT"

CONFIDENTIAL



Scale 1:96000.



HEYCO	
BENNETT RANCH FUSSELMAN STRUCTURE MAP PRE-DRILL UNIT JUSTIFICATION MAP	
GORDON YARNER	4/15/98
Scale 1:96000.	

EXHIBIT "D"

Bennett Ranch Unit-Otero Co., NM
Initial Mississippian Formation
Participating Area



11394

COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

March 14, 1997

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88202-1933

Attn: Ms. Melissa Randle

Re: Final Approval
Bennett Ranch Unit
Otero County, New Mexico

Dear Ms. Randle:

We are in receipt of your letter of March 12, 1997, requesting final approval of the Bennett Ranch Unit, Otero County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Bennett Ranch Unit, Otero County, New Mexico. The effective date of this agreement is March 7, 1997. It is our understanding that Tract No. 10 is not committed to the unit agreement at this time.

Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Enclosed are Five (5) Certificates of Approval. Your filing fee in the amount of \$630.00 Dollars has been received.

Bennett Ranch Unit
March 14, 1997
Page 2

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

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/pm

encls.

cc: BLM-Roswell, New Mexico Attn: Mr. Armando Lopez
OCD-Santa Fe Attn: Mr. Roy Johnson
TRD-Santa Fe Attn: Mr. Valdean Severson
Commissioner's file, Reader File

11374

UNIT NAME: BENNETT RANCH UNIT
OPERATOR: HARVEY E. YATES COMPANY
COUNTY: OTERO

DATE	OCC CASE NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.						
EFFECTIVE	CASE NO. 11394	8856.90	800.70	8056.20	0	MODIFIED	5 YEARS
3-14-97	ORDER NO. R-10527						SO LONG AS

APPROVALS

SLO--3-14-97
OCD--12-12-95
BLM--3-7-97

TOWNSHIP 26 SOUTH, RANGE 12 EAST

SECTION 1: SW/4SW/4
SECTION 2: S2NW/4, SE/4SE/4, W/2SE/4, SW/4
SECTION 3: E/2, E/2W/2
SECTION 10: ALL
SECTION 11: ALL
SECTION 12: NW/4, NW/4NE/4, S/2NE/4, S/2
SECTION 13: ALL
SECTION 14: ALL
SECTION 15: W/2NW/4, E/2, E/2W/2
SECTION 22: E/2NW/4, E/2
SECTION 23: ALL
SECTION 24: ALL
SECTION 25: ALL
SECTION 26: W/2NW/4, E/2, E/2W/2
SECTION 27: NE/4NE/4
SECTION 35: LOTS 3, 4, N/2NE/4
SECTION 36: LOTS 1, 2, 3, 4, N/2N/2

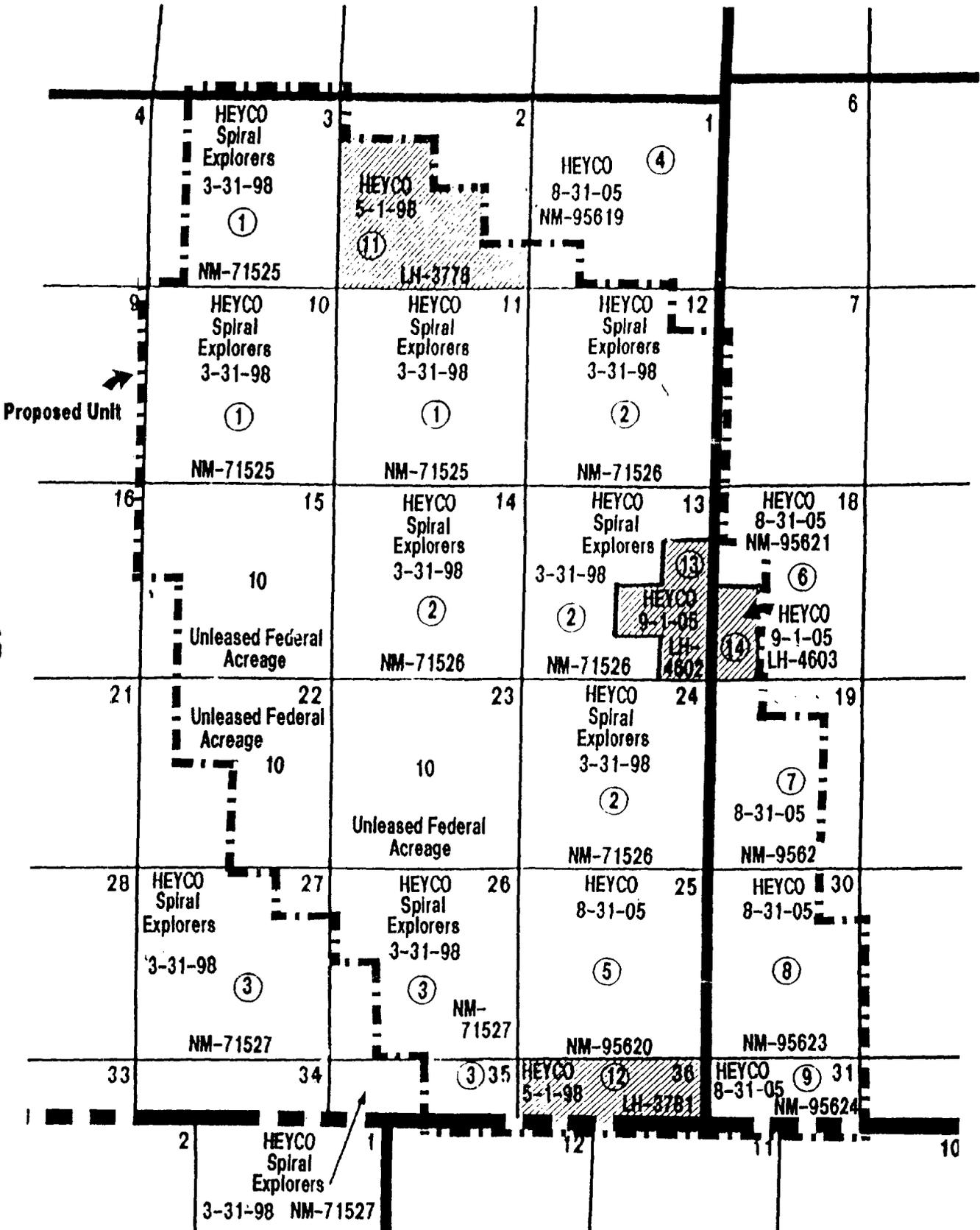
TOWNSHIP 26 SOUTH, RANGE 13 EAST

SECTION 18: LOTS 2, 3, 4
SECTION 19: LOTS 1, 2, 3, 4, SE/4NE/4, W/2SE/4
SECTION 30: LOTS 1, 2, 3, 4, NW/4NE/4, S/2NE/4, SE/4
SECTION 31: LOTS 1, 2, 3, 4, N/2NE/4

R - 12 - E

R - 13 - E

T
26
S



BENNETT RANCH UNIT
OTERO COUNTY, NEW MEXICO

FEDERAL LANDS:	8,056.20 acres	90.959591%	TRACT #: ⑦
STATE LANDS:	800.70 acres	9.040409%	UNIT OUTLINE: - - -
TOTALS:	8,856.90 acres	100.000000%	

EXHIBIT B
 BENNETT RANCH UNIT AGREEMENT-OTERO COUNTY, NEW MEXICO
 AUGUST 1, 1995

Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD(%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
-----------	------------------	-----------------	-----------------------------	---------------	---------------------	---------------------	--------------------------------------

FEDERAL LANDS:

1.	T-265, R-12E Sec. 3: E/2, E/2 W/2 Sec. 10: All Sec. 11: All	1760.00	NM-71525 03/31/98	12.50%	Harvey E. Yates Co. 85.0% Spiral, Inc. 3-4-97 7.5% Explorers Petroleum 7.5%	3-4-97	Harvey E. Yates Co. Spiral, Inc. 3-4-97 Explorers Petroleum 3-4-97	.85000000 .07500000 .07500000
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2.	T-265, R-12E Sec. 12: W/2, SE/4, S/2 NE/4, NW/4 NE/4 Sec. 13: W/2, N/2 NE/4, SW/4 NE/4, SW/4 SE/4 Sec. 14: All Sec. 24: All	2360.00	NM-71526 03/31/98	12.50%	Harvey E. Yates Co. 3-4-97 85.0% Spiral, Inc. 3-4-97 7.5% Explorers Petroleum 7.5%	3-4-97	Harvey E. Yates Co. Spiral, Inc. 3-4-97 Explorers Petroleum 3-4-97	.85000000 .07500000 .07500000
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3.	T-265, R-12E Sec. 26: N/2, SE/4, E/2 SW/4 Sec. 27: NE/4 NE/4 Sec. 35: Lots 3, 4, N/2 NE/4	699.89	NM-71527 03/31/98	12.50%	Harvey E. Yates Co. 3-4-97 85.0% Spiral, Inc. 3-4-97 7.5% Explorers Petroleum 7.5%	3-4-97	Harvey E. Yates Co. Spiral, Inc. 3-4-97 Explorers Petroleum 3-4-97	.85000000 .07500000 .07500000
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Exhibit B-Bennett Ranch Unit Agreement
 Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD (%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
4.	T-26S, R-12E Sec. 1: SW/4 SW/4	40.00	NM-95619 08/31/05	12.50%	Harvey E. Yates Co.	2-4-97	2-4-97
5.	T-26S, R-12E Sec. 25: All	640.00	NM-95620 08/31/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
6.	T-26S, R-13E Sec. 18: Lot 2	40.36	NM-95621 08/31/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
7.	T-26S, R-13E Sec. 19: Lots 1-4, SW/4 NE/4, W/2 SE/4	282.36	NM-95622 08/31/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
8.	T-26S, R-13E Sec. 30: Lots 1-4, NW/4 NE/4, S/2 NE/4, SE/4	444.52	NM-95623 08/31/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
9.	T-26S, R-13E Sec. 31: Lots 1-4, N/2 NE/4	189.07	NM-95624 08/31/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
10.	T-26S, R-12E Sec. 15: N/2, SE/4, E/2 SW/4 Sec. 22: E/2, E/2 NW/4 Sec. 23: All	1600.00	Federal (OPEN)	12.50%	N/A		

Exhibit B-Bennett Ranch Unit Agreement
Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD (\$)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
-----------	------------------	-----------------	-----------------------------	---------------	-----------------------	---------------------	--------------------------------------

10 Federal Tracts = 8056.20 acres, 90.959591% of the unit area (Committed Acres - 8,056.20, being 90.959591% of unit area)

STATE LANDS:

11.	T-26S, R-12E Sec. 2: S/2 NW/4, SW/4, NW/4 SE/4, S/2 SE/4	360.00	LH-3778 05/01/98	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
12.	T-26S, R-12E Sec. 36: Lots 1-4, N/2 N/2	199.84	LH-3781 05/01/98	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
13.	T-26S, R-12E Sec. 13: SE/4 NE/4, N/2 SE/4, SE/4 SE/4	160.00	LH-4602 09/01/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97
14.	T-26S, R-13E Sec. 18: Lots 3, 4	80.86	LH-4603 09/01/05	12.50%	Harvey E. Yates Co.	3-4-97	3-4-97

4 State Tracts = 800.70 acres, 9.040409% of the unit area (Committed Acres - 800.70, being 9.040409% of unit area)

Exhibit B-Bennett Ranch Unit Agreement
 Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD (%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
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RECAPITULATION

FEDERAL LANDS	8,056.20 acres	90.959591%					
STATE LANDS	800.70 acres	9.040409%					
TOTALS	8,856.90 acres	100.000000%					

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

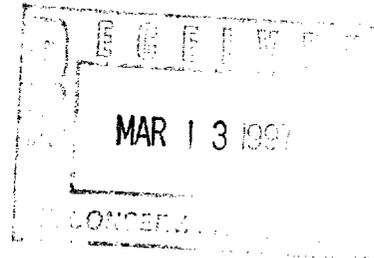
FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

11377

March 11, 1997

State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505



Attention: Roy E. Johnson
Senior Petroleum Geologist

Re: HEYCO's Bennett Ranch Unit
T-26S, R-12 & 13E and
Otero County, New Mexico
Request For Final Approval
OCD Order #R-10527

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO) is requesting final approval from the Oil Conservation Division for its proposed Bennett Ranch Unit in Otero County, New Mexico. HEYCO has already received final approval from the Bureau of Land Management and encloses a copy of the request to the Commissioner of Public Lands for final approval.

Also enclosed is one copy of the Bennett Ranch Unit Agreement, including Exhibits "A" and "B", and containing original signatures.

HEYCO requests the Unit and the Unit Agreement be granted final approval by the Oil Conservation Division.

Very truly yours,

A handwritten signature in cursive script that reads "Diana L. Marshall". The signature is written in dark ink and is positioned above the typed name.

Diana L. Marshall
Land Assistant

/dlm
Enclosures

brsodfml.sam./A:BR#2

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

March 11, 1997

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

Attention: Pete Martinez, Oil & Gas Units

Re: HEYCO's Bennett Ranch Unit
T-26S, R-12 & 13E and
Otero County, New Mexico
Final Approval

Ladies & Gentlemen:

Harvey E. Yates Company (HEYCO) is requesting final approval from the Commissioner of Public Lands for its proposed Bennett Ranch Unit in Otero County, New Mexico. HEYCO has already received final approval from the Bureau of Land Management. In support of our request for likewise approval from the State, enclosed is the following:

1. One copy of the BLM-approved Bennett Ranch Unit Agreement, including Exhibits "A" and "B", topped by a copy of the BLM Certification-Determination and a copy of the BLM's March 7, 1997 letter signed on behalf of Tony Ferguson, Assistant District Manager of the Roswell District Office.
2. One copy of the Bennett Ranch Unit Agreement, including Exhibits "A" and "B" containing original signatures.
3. One copy of the Bennett Ranch Unit Operating Agreement containing original signatures.
4. Two sets of the Ratifications of Unit Agreement/Unit Operating Agreement; one set includes original signatures.
5. A copy of the Order of the Oil Conservation Division, dated December 12, 1995.
6. HEYCO's check #10024, in the amount of \$630.00, to cover the filing fee for the Bennett Ranch Unit.
7. Copy of the Application For Permit To Drill the initial well, the Bennett Ranch Unit #1.

Please be aware that Unit Tract #10 (former USA Lease No. NM-66213) is currently not committed to the Unit. However, it is being offered for lease at the BLM's April 16, 1997 Oil & Gas Lease Sale and contains a provision to the prospective Lessee that it will be committed to the Bennett Ranch Unit Agreement (copies of sale pages are enclosed).

March 11, 1997

Page 2

HEYCO requests the Unit and the Unit Agreement be granted final approval by the Commissioner of Public Lands,

Please call if you need anything further to facilitate the approval of this unit.

Very truly yours,



Melissa Randle
Landman

/dlm

Enclosures

brslofnl.sam./A:BR#2

xc: ✓ New Mexico Oil Conservation Division
Attn: Roy E. Johnson, Sr. Petroleum Geologist
2040 S. Pacheco
Santa Fe, New Mexico 87505
(w/copy of Unit Agreement)



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL DISTRICT OFFICE
2909 West Second Street
Roswell, New Mexico 88202



IN REPLY REFER TO:
NMNM94469X
3180 (06200)

MAR 07 1997

Harvey E. Yates Company
Attention: Melissa Randle
P. O. Box 1933
Roswell, NM 88202-1933

Gentlemen:

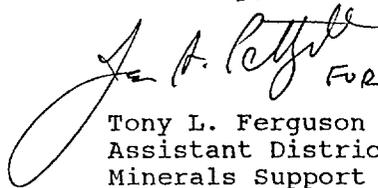
One approved copy of the Bennett Ranch Unit Agreement, No. NMNM94469X, Otero County, New Mexico, is enclosed. Such agreement is effective as of the date of approval.

Pursuant to 43 CFR 3183.4(b) and Section 9 of the unit agreement, if the Public Interest Requirement is not fulfilled, the unit will be declared invalid and no lease committed to this agreement shall receive the benefits of 43 CFR 3107.3-2 and 3107.4.

Approval of the agreement does not warrant or certify that the operator thereof and other working interest owners hold legal or equitable title to the leases which are committed hereto.

You are requested to furnish all interested principals with appropriate evidence of this approval.

Sincerely,


Tony L. Ferguson
Assistant District Manager,
Minerals Support Team

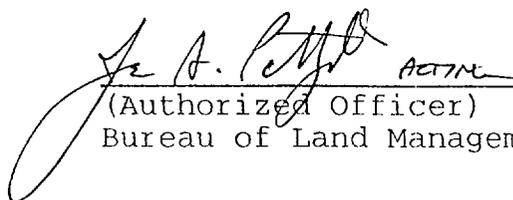
Enclosure.

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. sec 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

- A. Approve the attached agreement for the development and operation of the Bennett Ranch Unit Area, State of New Mexico. This approval shall be invalid *ab initio* if the public interest requirement under §3183.4(b) of this title is not met.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of all Federal leases committed to said Agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of this agreement.

Dated: March 7, 1997



(Authorized Officer)
Bureau of Land Management

Contract No.: NMNM94469X

**STATE/FEDERAL/FEE
EXPLORATORY UNIT**

**UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE**

BENNETT RANCH UNIT AREA

OTERO COUNTY, NEW MEXICO

NO. _____

**UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE**

BENNETT RANCH UNIT AREA

**COUNTY OF OTERO
STATE OF NEW MEXICO**

NO. _____

TABLE OF CONTENTS

	Page
1. ENABLING ACT AND REGULATIONS	2
2. UNIT AREA	2
3. UNITIZED LAND AND UNITIZED SUBSTANCES	3
4. UNIT OPERATOR	4
5. RESIGNATION OR REMOVAL OF UNIT OPERATOR	4
6. SUCCESSOR UNIT OPERATOR	5
7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT	5
8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	5
9. DRILLING TO DISCOVERY	6
10. PLAN OF FURTHER DEVELOPMENT AND OPERATION	7
11. PARTICIPATION AFTER DISCOVERY	7
12. ALLOCATION OF PRODUCTION	9
13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS	9
14. ROYALTY SETTLEMENT	10
15. RENTAL SETTLEMENT	11
16. CONSERVATION	11
17. DRAINAGE	11

Bennett Ranch Unit

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED	12
19. COVENANTS RUN WITH LAND	14
20. EFFECTIVE DATE AND TERM	14
21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION	14
22. APPEARANCES	15
23. NOTICES	15
24. NO WAIVER OF CERTAIN RIGHTS	15
25. UNAVOIDABLE DELAY	15
26. NONDISCRIMINATION	16
27. LOSS OF TITLE	16
28. NONJOINER AND SUBSEQUENT JOINER	16
29. COUNTERPARTS	16
30. SURRENDER	17
31. TAXES	18
32. NO PARTNERSHIP	18
33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS	18
EXHIBIT "A" MAP OF UNIT AREA	22
EXHIBIT "B" SCHEDULE OF OWNERSHIP	23

**UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BENNETT RANCH UNIT AREA
County of Otero
State of New Mexico
No. _____**

This agreement, entered into as of the _____ day of _____, 19____, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Statute 437, as amended, 30 U.S.C. Section 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a unit plan of development or operations of any oil and gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 19-10-45, 46, 47 NM Statutes 1978 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and

WHEREAS, the Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division", is authorized by an act of the Legislature (Chapter 70 and 71, NM Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Bennett Ranch Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit A is hereby designated and recognized as constituting the unit area, containing 8,856.90 acres, more or less.

Exhibit A shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits A or B shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized Officer, hereinafter referred to as "AO", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than four (4) copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office, and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Division of the Energy and Minerals Department, hereinafter referred to as "Division".

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO or the Land Commissioner (after preliminary concurrence by the AO and the Land Commissioner), shall prepare a Notice of Proposed Expansion or Contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper Bureau of Land Management office, the Land Commissioner and the Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

Bennett Ranch Unit

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO, the Land Commissioner and the Division evidence of mailing of the Notice of Expansion or Contraction and a copy of any objections thereto which have been filed with Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO, the Land Commissioner and the Division, become effective as of the date prescribed in the notice thereof or such other appropriate date.

(e) Notwithstanding any prior elimination under the "Drilling to Discovery" section, all legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than ninety (90) days time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within ten (10) years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within ninety (90) days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and the Land Commissioner and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said first 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands not then entitled to be in a participating area shall be automatically eliminated effective as of the 91st day thereafter.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this Subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed two (2) years may be accomplished by consent of the owners of 90 percent of the working interest in the current non-participating unitized lands and the owners of 60 percent of the basic royalty interests (exclusive of the basic royalty interests of the United States) in non-participating unitized lands with approval of the AO and the Land Commissioner, provided such extension application is submitted not later than sixty (60) days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject

to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. HARVEY E. YATES COMPANY (HEYCO) is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO, the Land Commissioner and the Division and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal lands and the Division as to State and Fee lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than thirty (30) days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected, elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his/her or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by the working interest owners, the owners of the working interests according to their respective acreage interest in all unitized land shall, pursuant to the approval of the parties requirements of the unit operating agreement, select a successor Unit Operator. Such selection shall not become effective until:

(a) A Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) The selection shall have been approved by the AO and approval by the Land Commissioner

If no successor Unit Operator is selected and qualified as herein provided, the AO and the Land Commissioner, at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISION AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two (2) copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office and one true copy with the Land Commissioner, and one true copy with the Division prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit

Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO, if on Federal land, or by the Land Commissioner, if on State land, and by the Division, if on Fee land, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the Fusselman formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO if on Federal land, or the Land Commissioner if on State land, or the Division if located on Fee land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a true vertical depth in excess of 5,800 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than six (6) months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO if it be on Federal land, or of the Land Commissioner if on State land, or the Division if located on Fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

The AO and Land Commissioner may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to commence any well as provided for in this section within the time allowed, prior to the establishment of a participating area, including any extension of time granted by the AO and the Land Commissioner, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and the Land Commissioner may, after fifteen (15) days notice to the Unit Operator, declare this agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first six (6) months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section.

Until the establishment of a participating area, the failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO and Land Commissioner, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO and Land Commissioner may, after fifteen (15) days notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it

diligently shall result in the unit agreement approval being declared invalid ab initio by the AO and Land Commissioner. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid ab initio by the AO and Land Commissioner.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO, the Land Commissioner and the Division an acceptable plan of development and operation for the unitized land which, when approved by the AO, the Land Commissioner and the Division, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO, the Land Commissioner and the Division a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for determination of the area or areas capable of producing unitized substances in paying quantities in each and every productive formation. This plan shall be as complete and adequate as the AO, the Land Commissioner and the Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO and the Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development and operation where such action is justified because of unusual conditions or circumstances.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO, the Land Commissioner and Division, shall be drilled except in accordance with an approved plan of development and operation.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Land Commissioner or Division, the Unit Operator shall submit for approval by the AO, the Land Commissioner and Division, a schedule, based on subdivisions of the public land survey or aliquot

parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, the Land Commissioner and the Division effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established from each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two (2) or more participating areas so established may be combined into one, on approval of the AO, the Land Commissioner and the Division. When production from two (2) or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO, the Land Commissioner or Division. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, the Land Commissioner and Division, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as reasonably proved not to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO, the Land Commissioner and Division. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area productive of unitized substances known or reasonably proved to be productive in paying quantities or which are necessary for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the AO, the Land Commissioner and Division, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established, the portion of all payments affected thereby shall, except royalty due the United States and the State of New Mexico, be impounded in a manner mutually acceptable to the owners of committed working interests and the AO and the Land Commissioner. Royalties due the United States shall be determined by the AO and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the AO and the Land Commissioner, until a participating area is finally approved and then adjusted in accordance with the determination of the sum due as Federal royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the AO, the Land Commissioner and the Division, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in a participating area of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located, unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from a participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations which has been approved by the AO, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if any, included in the participating area established for such production. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land and unleased Federal land, if any, included in said participating area. Each tract of unitized land in said participating area shall have allocated to it, in addition, such percentage of the production attributable to unleased Federal land within the participating area as the number of acres of such unitized tract included in said participating area bears to the total acres of unitized land in said participating area, upon payment of the compensatory royalty specified in Section 17 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensation royalty obligations under Section 17, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed to by the affected parties. It is acknowledged that, once the compensatory royalty is paid, no other Federal royalty shall be due from any lessee benefiting from a share in the production allocated to the unleased lands. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the AO and the Land Commissioner, and the Division, at such party's sole risk, costs, and expense, drill a well to test any formation provided the well is outside any participating area established for that formation, unless within ninety (90) days of receipt of notice from said party of its intention to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this section by a working interest owner results in production of unitized substances in paying quantities such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled under this section by a working interest owner that obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same, subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to the right to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in the case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefore under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing in this section shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of development and operation approved by the AO and the Land Commissioner and the Division, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO and the Land Commissioner and the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 12 at the rates specified in the respective Federal leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance the operating regulations as though each participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by the appropriate working interest owners under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his/her duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a participating area.

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

17. DRAINAGE.

(a) The Unit Operator shall take such measures as the AO and Land Commissioner deems appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO, as to Federal leases and the Land Commissioner, as to State leases.

(b) Whenever a participating area approved under Section 11 of this agreement contains unleased Federal lands, the value of 12 1/2 percent of the production that would be allocated to such Federal lands under Section 12 of this agreement, if such lands were leased, committed, and entitled to participation, shall be payable as compensatory royalties to the Federal Government. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal lands to their unitized tracts under Section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR part 206. Payment of compensatory royalties on the production reallocated from unleased Federal land to the committed tracts within the participating area shall fulfill the Federal royalty obligation for such production, and

said production shall be subject to no further royalty assessment under Section 14 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased, or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary, as to Federal leases, and the Land Commissioner, as to State leases, each by his/her approval hereof, or by the approval hereof by his/her duly authorized representative, shall and does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO and the Land Commissioner, or their duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil or gas on lands other than those of the United States and the State of New Mexico committed to this agreement which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

Bennett Ranch Unit

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two (2) years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provision of the Mineral Leasing Act, as amended.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 1, 1960 (74 Stat. 781-784) (30 U.S.C. 226(j)):

"Any [Federal] lease heretofore or hereafter committed to any such [Unit] plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof, but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as the effective date hereof; provided, however, that notwithstanding any of the provisions of this agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the fixed term of such lease; or if, at the expiration of the fixed term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the AO and the Land Commissioner, or their duly authorized representative, and shall automatically terminate five (5) years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO and the Land Commissioner, or

(b) It is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder, and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this agreement is terminated with the approval of the AO and the Land Commissioner, or

(c) A valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal lands and are being produced as to State lands in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling operations or reworking operations to restore production or new production are not in progress within sixty (60) days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred, or

(d) It is voluntarily terminated as provided in this agreement. Except as noted herein, this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 percent, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO and the Land Commissioner. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with Section 9.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The AO is hereby vested with authority to alter or modify from time to time, in his/her discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to

Federal or State law, or do not conform to any Statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in his/her discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and also to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

Powers in the section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing is to be held not less than fifteen (15) days from notice.

22. APPEARANCES. The Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interest affected hereby before the Department of the Interior and the Commissioner of Public Lands and Division and to appeal from orders issued under the regulations of said Department or Land Commissioner and Division, or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department or the Land Commissioner and Division, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at its own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last-known address of the party or parties.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where the unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his/her or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in the open market or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 FR 12319), as amended, which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that, as to Federal and State lands or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the AO and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, the Land Commissioner, the Division and the Unit Operator prior to the approval of this agreement by the AO and Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provide in this section, by a working interest owner is subject to such requirements or approvals(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO, the Land Commissioner and the Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to

by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all other such parties had signed the same document, and regardless of whether or not it is executed by all parties owning or claiming an interest in the lands within the above-described unit area.

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as the result of any such surrender of forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

- (a) Accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or
- (c) Provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after surrendered or forfeited, working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said tract, and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his/her lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing contained in the agreement shall modify or change either the special Federal lease stipulations relating to surface management or such special Federal lease stipulations relating to surface and environmental protection, attached to a made a part of Oil and Gas Leases covering lands within the Unit Area.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names and date of execution.

BENNETT RANCH UNIT OPERATOR
AND WORKING INTEREST OWNER:

HARVEY E. YATES COMPANY

By: Steven M. Yates
Steven M. Yates, Vice-President

ATTEST:

Shari A. Darr
Shari A. Darr, Assistant Secretary

BENNETT RANCH UNIT
NON-OPERATORS:

SPIRAL, INC.

By: Steven M. Yates
Steven M. Yates, Vice President

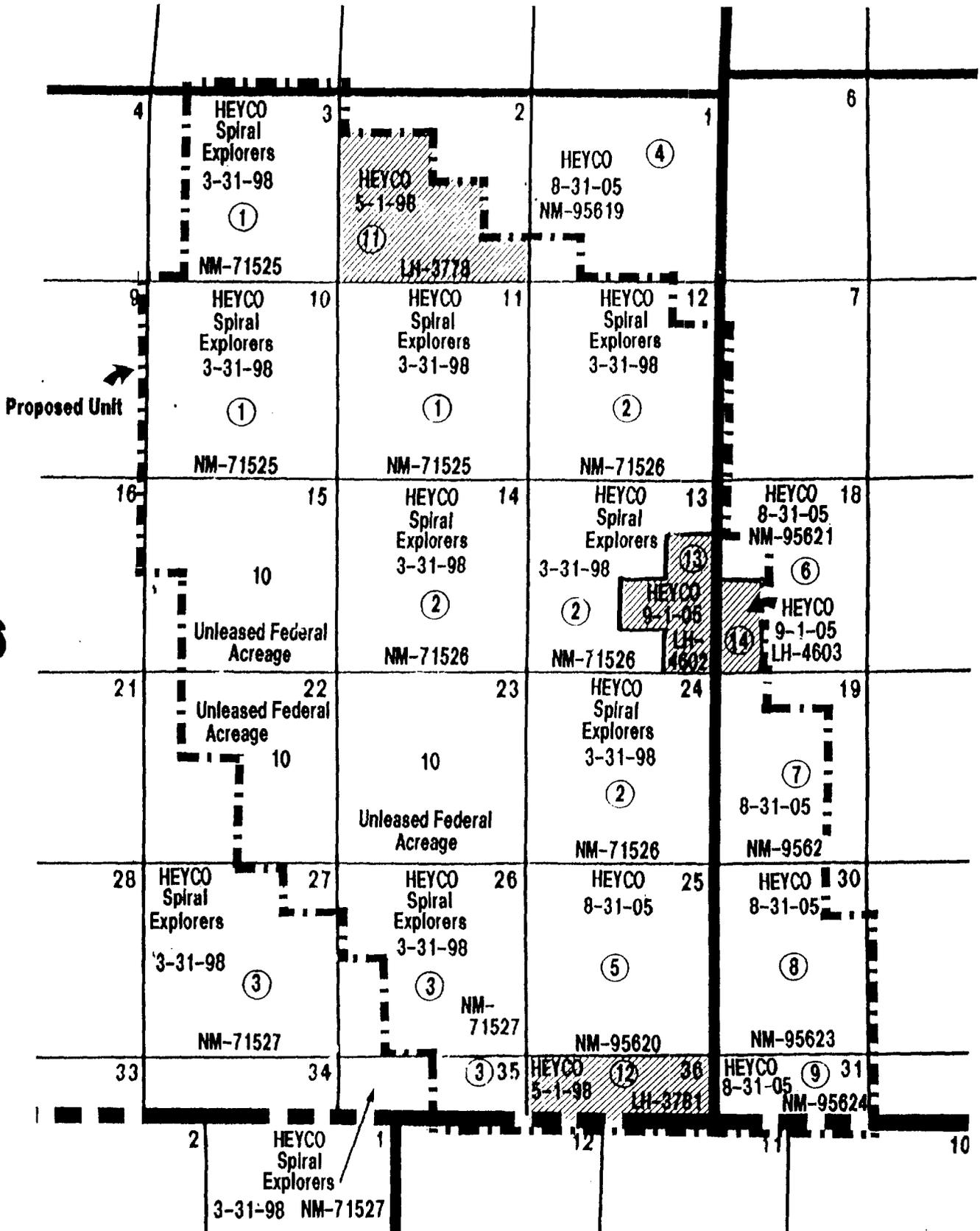
ATTEST:

Shari A. Darr
Shari A. Darr, Assistant Secretary

R - 12 - E

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BENNETT RANCH UNIT
OTERO COUNTY, NEW MEXICO

FEDERAL LANDS:	8,056.20 acres	90.959591%	TRACT #: ⑦
STATE LANDS:	800.70 acres	9.040409%	UNIT OUTLINE: - - - - -
TOTALS:	8,856.90 acres	100.000000%	

EXHIBIT B
 BENNETT RANCH UNIT AGREEMENT--OTERO COUNTY, NEW MEXICO
 AUGUST 1, 1995

Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD(%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
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FEDERAL LANDS:

1.	T-26S, R-12E Sec. 3: E/2, E/2 W/2 Sec. 10: All Sec. 11: All	1760.00	NM-71525 03/31/98	12.50%	Harvey E. Yates Co. 85.0% Spiral, Inc. 7.5% Explorers Petroleum 7.5%		Harvey E. Yates Co. Spiral, Inc. Explorers Petroleum .85000000 .07500000 .07500000
2.	T-26S, R-12E Sec. 12: W/2, SE/4, S/2 NE/4, NW/4 NE/4 Sec. 13: W/2, N/2 NE/4, SW/4 NE/4, SW/4 SE/4 Sec. 14: All Sec. 24: All	2360.00	NM-71526 03/31/98	12.50%	Harvey E. Yates Co. 85.0% Spiral, Inc. 7.5% Explorers Petroleum 7.5%		Harvey E. Yates Co. Spiral, Inc. Explorers Petroleum .85000000 .07500000 .07500000
3.	T-26S, R-12E Sec. 26: N/2, SE/4, E/2 SW/4 Sec. 27: NE/4 NE/4 Sec. 35: Lots 3, 4, N/2 NE/4	699.89	NM-71527 03/31/98	12.50%	Harvey E. Yates Co. 85.0% Spiral, Inc. 7.5% Explorers Petroleum 7.5%		Harvey E. Yates Co. Spiral, Inc. Explorers Petroleum .85000000 .07500000 .07500000

Exhibit B-Bennett Ranch Unit Agreement
 Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD (%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
4.	T-26S, R-12E Sec. 1: SW/4 SW/4	40.00	NM-95619 08/31/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.00000000
5.	T-26S, R-12E Sec. 25: All	640.00	NM-95620 08/31/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.00000000
6.	T-26S, R-13E Sec. 18: Lot 2	40.36	NM-95621 08/31/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.00000000
7.	T-26S, R-13E Sec. 19: Lots 1-4, SW/4 NE/4, W/2 SE/4	282.36	NM-95622 08/31/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.00000000
8.	T-26S, R-13E Sec. 30: Lots 1-4, NW/4 NE/4, S/2 NE/4, SE/4	444.52	NM-95623 08/31/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.00000000
9.	T-26S, R-13E Sec. 31: Lots 1-4, N/2 NE/4	189.07	NM-95624 08/31/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.00000000
10.	T-26S, R-12E Sec. 15: N/2, SE/4, E/2 SW/4 Sec. 22: E/2, E/2 NW/4 Sec. 23: All	1600.00	Federal (OPEN)	12.50%			

Exhibit B-Bennett Ranch Unit Agreement
 Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD (%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
10 Federal Tracts = 8056.20 acres, 90.959591% of the unit area (Committed Acres - 8,056.20, being 90.959591% of unit area)							

STATE LANDS:

11.	T-26S, R-12E Sec. 2: S/2 NW/4, SW/4, NW/4 SE/4, S/2 SE/4	360.00	IH-3778 05/01/98	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.000000000
12.	T-26S, R-12E Sec. 36: Lots 1-4, N/2 N/2	199.84	IH-3781 05/01/98	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.000000000
13.	T-26S, R-12E Sec. 13: SE/4 NE/4, N/2 SE/4, SE/4 SE/4	160.00	IH-4602 09/01/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.000000000
14.	T-26S, R-13E Sec. 18: Lots 3, 4	80.86	IH-4603 09/01/05	12.50%	Harvey E. Yates Co.		Harvey E. Yates Co. 1.000000000

4 State Tracts = 800.70 acres, 9.040409% of the unit area (Committed Acres - 800.70, being 9.040409% of unit area)

Exhibit B-Bennett Ranch Unit Agreement
 Rev. 2/6/97

TRACT NO.	LAND DESCRIPTION	NUMBER OF ACRES	SERIAL # & LEASE EXPIRATION	BASIC ROYALTY	LESSEE OF RECORD (%)	ORRI & PROD. PYMTS.	WORKING INTEREST OWNERSHIP (Decimal)
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RECAPITULATION

FEDERAL LANDS	8,056.20 acres	90.959591%					
STATE LANDS	800.70 acres	9.040409%					
TOTALS	8,856.90 acres	100.000000%					

December 13, 1995

HINKLE, COX, EATON,
COFFIELD & HENSLEY
Attorneys at Law
P. O. Box 2068
Santa Fe, New Mexico 87501

ATTN: Jim Bruce

RE: CASE NO. 11394
Order No. R-10527

Dear Sir:

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

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Roswell
Pete Martinez - SLO

HINKLE, COX, EATON, COFFIELD & HENSLEY
P.L.L.C.†

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JAMES M. HUDSON

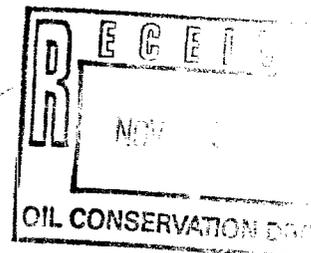
*REGISTERED IN NEW MEXICO
AS HINKLE, COX, EATON,
COFFIELD & HENSLEY, P.L.L.C., LTD., CO.

*NOT LICENSED IN NEW MEXICO
†FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

November 9, 1995

HAND DELIVERED

Mr. William LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501



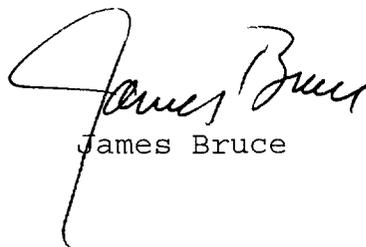
Re: Case Nos. 11394, the Application of Harvey E. Yates Company

Dear Mr. LeMay:

Please continue the above case to the December 7, 1995
Examiner Hearing.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.



James Bruce

JB/sp
lemay9.del

HINKLE, COX, EATON, COFFIELD & HENSLEY
P.L.L.C.*

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*NOT LICENSED IN NEW MEXICO
*FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

October 27, 1995

HAND DELIVERED

Mr. William LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501

Re: Case No. ~~11,395~~ (Application of Harvey E. Yates Company) and
Case No. 11,403 (Application of Pogo Producing Company)

Dear Mr. LeMay:

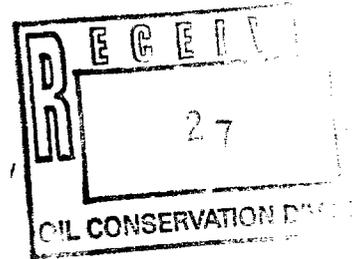
Please continue the above two cases to the November 16, 1995
Examiner Hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.

James Bruce (SP)

James Bruce



JB/sp

HINKLE, COX, EATON, COFFIELD & HENSLEY
P.L.L.C.*

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STEPHANIE LANDRY
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October 16, 1995

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Oil Conservation Division

Mr. William LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501

Re: **Case No. 11394, the Application of Harvey E. Yates Company for
a Unit Agreement**

Dear Mr. LeMay:

Please continue the above case to the November 2, 1995
Examiner Hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.

James Bruce

JB/sp