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ROYALTY MANAGEMENT

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SURFACE RESOURCES

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

December 6, 2000

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed North Papalotes State Unit
Lea County, New Mexico

Dear Mr. Bullock:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed North Papalotes State Unit area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

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

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 1.045, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12549 Exhibit No. 2

Submitted by:

Yates Petroleum Corporation

Hearing Date: December 7, 2000

Yates Petroleum Corporation
December 6, 2000
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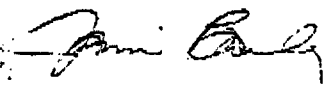
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.

Your \$90.00 filing fee has been received.

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

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson