

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION

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

GENERAL COUNSEL

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

PUBLIC AFFAIRS

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



#12,831

COMMERCIAL RESOURCES

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

MINERAL RESOURCES

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

ROYALTY MANAGEMENT

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

SURFACE RESOURCES

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

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

March 28, 2002

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

Attn: Mr. Robert Bullock

Re: Final Approval
New Grass State Unit
Lea County, New Mexico

Dear Mr. Bullock:

This office is in receipt of your letter dated March 22, 2002, requesting final approval of the New Grass State Unit Agreement, Lea County, New Mexico. It is our understanding that all tracts are fully committed to the unit agreement at this time.

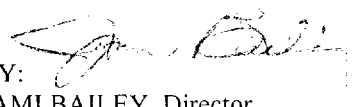
Please be advised that the Commissioner of Public Lands has this date granted final approval to the New Grass State Unit Agreement, Lea County, New Mexico. The effective date of your agreement is March 28, 2002.


Enclosed are (5) Certificates of Approval.

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

Very truly yours,

RAY 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

pc: Reader File.

William F. Carr

EXPLORATORY
UNIT NAME: NEW GRASS STATE UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	INDIAN	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE			FEE	CLAUSE	
EFFECTIVE	CASE NO. 12831	3200.00	3200.00	0	0	STRICT	5 YEARS
03/28/2002	ORDER NO. R-11746						SO LONG AS

APPROVALS

SLO--03-28-2002
OCD--03-28-2002

TOWNSHIP 15 SOUTH, RANGE 34 EAST
SECTION 9: S/2
SECTION 15: ALL
SECTION 16: ALL
SECTION 21: N/2
SECTION 22: N/2
SECTION 23: ALL
SECTION 24: N/2

EXHIBIT "A"

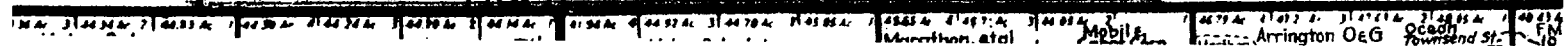


EXHIBIT "B"

New Grass State Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE		LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST
1	T15S-R34E Section 16: All	640.00	VA-1587 4/1/02		State of New Mexico	Yates Petroleum Corporation	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Keith E. McKamey William B. Owen Edward N. David Michael A. McMillan
	C.S.								43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.178220% 0.178220% 0.356478% 0.712956%
2	T15S-R34E Section 9: S2	320.00	VA-1586 4/1/02		State of New Mexico	Yates Petroleum Corporation	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Keith E. McKamey William B. Owen Edward N. David Michael A. McMillan
	C.S.								43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.178220% 0.178220% 0.356478% 0.712956%
3	T15S-R34E Section 15: NE4, W2SE4, SE4SE4	280.00	VA-1790 7/1/03		State of New Mexico	Yates Petroleum Corporation	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Keith E. McKamey William B. Owen Edward N. David Michael A. McMillan
	C.S.								43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.178220% 0.178220% 0.356478% 0.712956%

EXHIBIT "B"

New Grass State Unit
Lea County, New Mexico

4 T15S-R34E 320.00 VA-1791 State of New Mexico Yates Petroleum Corporation None

Section 21: N2

7/1/03

Yates Petroleum Corporation 43.400000%
Yates Drilling Company 6.200000%
Abo Petroleum Corporation 6.200000%
Myco Industries, Inc. 6.200000%
David Petroleum Corporation 16.112586%
McMillan Production Company 6.040790%
McMillan Ventures, LLC 7.600008%
Permian Exploration Corporation 6.820742%
Keith E. McNamey 0.178220%
William B. Owen 0.178220%
Edward N. David 0.356478%
Michael A. McMillan 0.712956%

5 T15S-R34E 160.00 VA-5329 State of New Mexico Yates Petroleum Corporation None

Section 22: NE4

7/1/03

Yates Petroleum Corporation 43.400000%
Yates Drilling Company 6.200000%
Abo Petroleum Corporation 6.200000%
Myco Industries, Inc. 6.200000%
David Petroleum Corporation 16.112586%
McMillan Production Company 6.040790%
McMillan Ventures, LLC 7.600008%
Permian Exploration Corporation 6.820742%
Keith E. McNamey 0.178220%
William B. Owen 0.178220%
Edward N. David 0.356478%
Michael A. McMillan 0.712956%

6 T15S-R34E 40.00 VA-1779 State of New Mexico Yates Petroleum Corporation None

Section 15: NE4SE4

7/1/03

Yates Petroleum Corporation 43.400000%
Yates Drilling Company 6.200000%
Abo Petroleum Corporation 6.200000%
Myco Industries, Inc. 6.200000%
David Petroleum Corporation 16.112586%
McMillan Production Company 6.040790%
McMillan Ventures, LLC 7.600008%
Permian Exploration Corporation 6.820742%
Keith E. McNamey 0.178220%
William B. Owen 0.178220%
Edward N. David 0.356478%
Michael A. McMillan 0.712956%

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EXHIBIT "B"

New Grass State Unit
Lea County, New Mexico

7 T15S-R34E 320.00 VA-1858 State of New Mexico Yates Petroleum Corporation None

Section 23: E/2

11/1/03

State of New Mexico

Yates Petroleum Corporation

None

Yates Petroleum Corporation 43.400000%
Yates Drilling Company 6.200000%
Abo Petroleum Corporation 6.200000%
Myco Industries, Inc. 6.200000%
David Petroleum Corporation 16.112586%
McMillan Production Company 6.040790%
McMillan Ventures, LLC 7.600008%
Permian Exploration Corporation 6.820742%
Keith E. McKamey 0.178220%
William B. Owen 0.178220%
Edward N. David 0.356478%
Michael A. McMillan 0.712956%

8 T15S-R34E 320.00 VA-1858 State of New Mexico Yates Petroleum Corporation None

Section 23: W/2

11/1/03

State of New Mexico

Yates Petroleum Corporation

None

Yates Petroleum Corporation 43.400000%
Yates Drilling Company 6.200000%
Abo Petroleum Corporation 6.200000%
Myco Industries, Inc. 6.200000%
David Petroleum Corporation 16.112586%
McMillan Production Company 6.040790%
McMillan Ventures, LLC 7.600008%
Permian Exploration Corporation 6.820742%
Keith E. McKamey 0.178220%
William B. Owen 0.178220%
Edward N. David 0.356478%
Michael A. McMillan 0.712956%

9 T15S-R34E 320.00 VO-5841 State of New Mexico Yates Petroleum Corporation None

Section 15: W/2

6/1/05

State of New Mexico

Yates Petroleum Corporation

None

Yates Petroleum Corporation 43.400000%
Yates Drilling Company 6.200000%
Abo Petroleum Corporation 6.200000%
Myco Industries, Inc. 6.200000%
David Petroleum Corporation 16.112586%
McMillan Production Company 6.040790%
McMillan Ventures, LLC 7.600008%
Permian Exploration Corporation 6.820742%
Keith E. McKamey 0.178220%
William B. Owen 0.178220%
Edward N. David 0.356478%
Michael A. McMillan 0.712956%

EXHIBIT "B"

New Grass State Unit
Lea County, New Mexico

10	T15S-R34E Section 22: NW4	160.00	VO-5842 6/1/05	State of New Mexico	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Keith E. McCarney William B. Owen Edward N. David Michael A. McMillan	43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.178220% 0.178220% 0.356478% 0.712956%
11	T15S-R34E Section 24: N2	320.00	VO-5843 6/1/05	State of New Mexico	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Keith E. McCarney William B. Owen Edward N. David Michael A. McMillan	43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.178220% 0.178220% 0.356478% 0.712956%

HMSU

PIC

C-7

PIC

Total Unit Acres 3200
State Lands 100%

COMMISSIONER'S OFFICE

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ADMINISTRATION

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Fax (505) 827-5853

GENERAL COUNSEL

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Fax (505) 827-4262

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.

COMMERCIAL RESOURCES

Phone (505) 827-5724

Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744

Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772

Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793

Fax (505) 827-5711

March 12, 2002

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed New Grass 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 New Grass 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.
5. Please submit two copies of the Unit Agreement.

310 Old Santa Fe Trail, P. O. Box 1148 Santa Fe, New Mexico 87504-1148

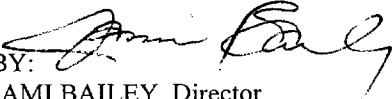
Yates Petroleum Corporation
March 12, 2002
Page 2

6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. Your filing fee in the amount of \$210.00 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

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

February 12, 2002

HAND DELIVERED

Ms. Lori Wrotenberg, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12831

CE FEB 12 PM 3:23

OL CONSERVATION DIV

**Re: Application of Yates Petroleum Corporation for compulsory
pooling, Lea County, New Mexico.**

Dear Ms. Wrotenberg,:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the March 7, 2002 Examiner Hearing docket.

Very truly yours,

William F. Carr
William F. Carr

Enclosures

cc: Mr. Robert Bullock
Yates Petroleum Corporation
105 South Fourth street
Artesia, New Mexico 88210-2118

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL
OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.

CASE NO. 12831

OIL CONSERVATION DIV.
FEB 12 PM 1:23

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order approving its New Grass State Exploratory Unit and in support of this application states:

1. The proposed Unit Area consists of 3200 acres, more or less, of State of New Mexico lands, situated in Lea County, New Mexico. The horizontal limits of said unit are described as follows:

Township 15 South, Range 34 East, N.M.P.M.

Section 9:	S/2
Section 15:	All
Section 16:	All
Section 21:	N/2
Section 22:	N/2
Section 23:	All
Section 24:	N/2

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Yates Petroleum Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in the all formations are unitized.

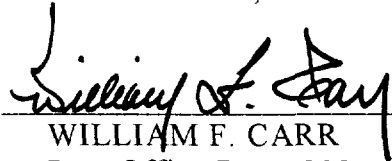
4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

5. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 7, 2002, that notice be given as required by law and the rules of the Division, and that the New Grass State Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE NO. 12831 :

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the New Grass State Exploratory Unit for an area comprising 3200 acres of State of New Mexico lands in Sections 9, 15, 16, 21, 22, 23, and 24 of Township 15 South, Range 34 East, NMPM which is located approximately 7 miles northwest of Lovington, New Mexico.