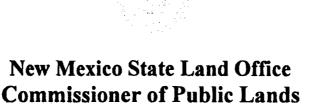
COMMISSIONER'S OFFICE Phone (505) 827-5760 Fax (505) 827-5766

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

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

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



Ray Powell, M.S., D.V.M.

#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

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

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

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

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

APPROVALS

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New Grass State Unit Lea County, New Mexico

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<u>I158-R34E</u> Section 15: NE4, W2SE4, SE4SE4	T15S-R34E Section 9: S2	T15S-R34E Section 16: All	DESCRIPTION OF LANDS
\$ · · · · · · · · · · · · · · · · · · ·	320.00	640.00 , ,	ACRES
VA-1790 7/1/03	VA-1586 4/1/02	VA-1587 4/1/02	SERIAL NUMBER AND EXPIRATION DATE
State of New Mexico	State of New Mexico	State of New Mexico	LESSOR
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	LESSEE OF RECORD
None	None	None	OVERRIDING
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	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	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	WORKING INTEREST
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New Grass State Unit Lea County, New Mexico

115S-R34E Section 15: NE4SE4	<u>T15S-R34E</u> Section 22: NE4	<u>⊤15S-R34E</u> Section 21: N2
** NE4SE4 40.00	160.00	320.00
VA-1779 7/1/03	VA-5326 71/03	VA-1791 7/1/03
State of New Mexico	State of New Mexico	State of New Mexico
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation
None	None	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	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	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Production Company McMillan Exploration Corporation Keith E. McKamey William B. Owen Edward N. David Michael A. McMillan
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New Grass State Unit

Lea
County
New
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T15S-R34E Section 15: W2	115 <u>S-R34E</u> Section 23: W2	115S-R34E Section 23: E/2
320.00	320.00	320.00
VO-5841 6/1/05	VA-1858 11/1/03	VA-1853 11/1/03
State of New Mexico	State of New Mexico	State of New Mexico
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation
None	None	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. McKarney William B. Owen Edward N. David Michael A. McMillan	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	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corporation McMillan Production Company McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Keith E. McKamey William B. Owen Edward N. David Michael A. McMillan
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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 Myco Industries, Inc.

David Petroleum Corporation 43.400000% 6.200000% 6.2000000% 6.200000%

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Keith E. McKamey William B. Owen Edward N. David

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0.712956%

Michael A. McMillan

Yates Drilling Company
Abo Petroleum Corporation Yates Petroleum Corporation

43.400000% 6.200000% 6.2000000%

T15S-R34E Section 24: N2

320.00

VO-5843 6/1/05

State of New Mexico Yates Petroleum Corporation

None

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Myco Industries, Inc. David Petroleum Corporation

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Keith E. McKamey Permian Exploration Corporation

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0.712956%

Edward N. David Michael A. McMillan William B. Owen

6.820742% 0.178220%

State Lands

Total Unit Acres

3200 100%

Page 4

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



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

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

MINERAL RESOURCES

COMMERCIAL RESOURCES

MINERAL RESOURCE 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.

副标识制的"人位"的"

5. Please submit two copies of the Unit Agreement.

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

- 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

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

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 Wrotenbery, 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

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

Dear Ms. Wrotenbery,:

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.

William F.

cc: Mr. Robert Bullock

Enclosures

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. /2831

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.

APPLICATION -- PAGE 1

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

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504 Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM CORPORATION

APPLICATION - Page 2

CASE NO. /2831:

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.