

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

#12,938

RECEIVED

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

OIL AND GAS  
DIVISION

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

November 18, 2002

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

Attn: Mr. Robert Bullock

Re: Final Approval  
Ten Mile Federal State Exploratory Unit  
Chaves County, New Mexico

Dear Mr. Bullock:

This office is in receipt of your letter of November 13, 2002, requesting final approval of the Ten Mile Federal State Exploratory Unit Agreement, Chaves County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Ten Mile Federal State Exploratory Unit Agreement, Chaves County, New Mexico. Our approval is subject to like approval by the Bureau of Land Management. Pursuant to Section 20 of the unit agreement, the unit will become effective upon approval by all the appropriate agencies.

Pursuant to your letter of November 13, 2002, it is our understanding that all tracts are fully committed to the unit agreement with the exception of Tract No. 3.

Enclosed are (5) Certificates of Approval.

Your \$180.00 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

pc: Reader File,  
OCD-Santa Fe, Attn: Mr. Roy Johnson  
TRD-Attn: Mr. Valdean Severson  
RMD-Attn: Ms. Linda Vieira  
BLM-Attn: Mr. Armando Lopez

UNIT NAME: TEN MILE FEDERAL STATE EXPLORATORY UNIT  
 OPERATOR: YATES PETROLEUM CORPORATION  
 COUNTY: CHAVES

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 11/21/2002	CASE NO. 12938 ORDER NO. R-11852	3440.00	2800.00	640.00	0	MODIFIED	5 YEARS SO LONG AS

APPROVALS

SLO--11-18-2002  
 OCD--10-24-2002  
 BLM--11-21-2002

TOWNSHIP 14 SOUTH, RANGE 28 EAST

SECTION 20: E/2NE/4, SE/4  
 SECTION 21: ALL  
 SECTION 28: ALL  
 SECTION 29: ALL  
 SECTION 32: ALL  
 SECTION 33: ALL

69 7 1 Str. Disc. C. 6 22 89

TD1620 Nr. Fed.

HBC SW/4 12 1 30 60165 DATE 2-73  
Lura Fed. KGS U.S.

# EXHIBIT "A"

U.S.

(Myco Ind)

0558973  
Slayton Res, etal  
to 2420'

18  
(Hannifin Oper)  
Lillie Fed.

Slayton Res. (Har  
to 2420' 2582  
17.5 Mil  
Barnhill  
(Myco Ind)

LaRue & Muncy  
Lillie Fed.  
TD1630

Muncy  
Lillie Fed  
Perm Disc  
Fig 8-9-85

Sams-St  
TD1678

Slayton Oil, etal  
to 2420'

17

Marbob  
Engr  
5-1-2002  
V. 5830  
5093  
State

EchoProd  
106908

(P.B.)  
Honolulu  
Malco-Fed  
TD 10280  
(DIA 2 26 56)  
PB 1891

Slayton Res.  
(Hannifin Oper)  
Hannla-Fed

15

Slayton Res  
(Hannifin Oper)  
Hannla-Fed  
1.4 Mil.

14 28 U.S.

Slayton Oil  
to 2420'

Myco Ind.  
HBP  
0558973

19

Ralph Nix  
Lillie Fed  
TD 2400  
DIA 10-81

DL Hannifin  
(LaRue & Muncy)  
Lillie Fed  
(TD 115 40)  
TD 2300  
0558973  
Slayton Oil  
to 2420'

Myco Ind.  
HBP  
0558973  
Slayton Oil  
to 2420'

LaRue & Muncy  
Lillie Fed.  
TD 8737  
DIA 9-7-85

Yates Pet, etal  
12-1-2003  
VA-1863  
63 93

McClellan  
Cooper-Fed.  
TD 1736

Yates Pet, etal  
3-1-2005  
94599  
15 00

McClain  
HBP  
0558973  
Slayton Oil  
to 2420'

Yates Pet, etal  
11-1-2003  
V. 5386  
93 27

Turmoil  
7-1-95  
61343

U.S.

Yates Pet, etal  
6-1-2011  
106685  
190 00

Fossil Fuel  
Wagon-Fed  
Waters &  
Williams  
(Hannifin Oper)  
TD 1371  
DIA 10-58  
10 1828

22

Echo Prod.  
12-1-2011  
107371  
90 00

U.S.

Yates Pet, etal  
9-1-93  
16987  
422

U.S.

Wm. Barnhill  
HBP  
B-10420

Marbob  
2-1-2007  
V-6549

30

BTA  
2-3-92  
Midwest  
Inv. Co.

U.S.

Petro-  
port  
9-1-93  
56728

Yates Pet, etal  
12-1-2002  
VA-1710  
15 18

Clements  
Engr.  
1-1-92  
43540  
U.S.

29

Ralph Nix  
Margaret  
TD 2356

U.S.

Yates Pet, etal  
12-1-2002  
VA-1709  
15 63

Yates Pet, etal  
10-1-2003  
VA-1871  
121 97

Fossil Fuel Co.  
Copper-Fed  
TD 260

DIA 9-18-74

28

Rodman Corp.  
State  
TD 8777  
DIA 10-4-71

U.S.

Echo Prod.  
12-1-2011  
107371  
90 00

M.H. Christensen  
1-1-93  
12064  
55 00

M.H. Christensen  
1-1-93  
12064  
55 00

27

Echo Prod.  
12-1-2011  
107371  
90 00

U.S.

McGrath  
& Smith  
Sun-St  
TD 1925  
DIA 8-15-70

Havenor Oper, etal  
v. 2829

31

Yates Pet.  
Nine Mile  
St.

U.S.

Yates Pet, etal  
4-1-2006  
V. 6171  
34 38

Yates Pet  
Nine Mile St  
Prem Disc.

32

Yates Pet, etal  
4-1-2006  
V. 6153  
101 56

U.S.

Yates Pet, etal  
10-1-2003  
VA-1841  
15 63

Grynberg  
Grynberg-St.  
TD 1765  
DIA 12-2-82

33

Hanson  
Nine Mile-St  
TD 205

U.S.

Yates Pet, etal  
7-1-2006  
V. 6281  
228 13

Yates Pet, etal  
7-1-2006  
V. 6282  
340 63

U.S.

Matador Pet.  
3886 HBC  
to 9800'

And Orig.  
Sinclair  
TD 8542  
DIA 3-10-69

6

G.F. West  
Dayoil  
HBC  
B-9359

Amoco  
N.M. St.

U.S.

Reading & Bates  
HBP  
B-10411

C.B. Read  
Goff  
TD 8664  
DIA 9-9-68

5

Read & Stevens  
Reading & Bates  
TD 8800

U.S.

Yates Pet, etal  
3-1-2009  
102026  
36 00

Yates Pet, etal  
10-1-2003  
VA-1842  
15 67

4

Yates Pet, etal  
3-1-2009  
102025  
25 00

U.S.

Yates Pet, etal  
3-1-2009  
102024  
25 00

Yates Pet, etal  
3-1-2009  
102025  
25 00

3

Notes  
Buffalo  
Valley Fed  
TD 9392  
DIA 8-17-81

Dominion  
Stardust  
Fed

EXHIBIT "B"

Ten Mile Federal State Exploratory Unit  
Chaves County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1	T14S-R28E Section 21: N2, NESW, SE	520.00	NM-94599 2/28/05	USA 1/8	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	4% 32% 32% 32%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
2	T14S-R28E Section 29: W2NW	80.00	NM-108966 12/31/12	USA 1/8	Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	34% 33% 33%	Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
3	T14S-R28E Section 21: NWSW	40.00	NM-0558973 HBP	USA 1/8	Mycos Industries, Inc. Paul Slayton	50% 50%	Mycos Industries, Inc. Paul Slayton
		Total Federal Lands		640.00	18.6047%		
4	T14S-R28E Section 28: W2	320.00	VA-1709 12/1/02	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
5	T14S-R28E Section 29: E2, E2NW, SW	560.00	VA-1710 12/1/02	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
6	T14S-R28E Section 33: E2	320.00	VA-1834 10/1/03	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
7	T14S-R28E Section 33: W2	320.00	VA-1841 10/1/03	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.

EXHIBIT "B"

Ten Mile Federal State Exploratory Unit  
Chaves County, New Mexico

8	T14S-R28E Section 28: E2	✓ C.S.	320.00	VA-18333 10/1/03	FLC	State of New Mexico 1/8	Yates Petroleum Corporation	✓ 9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70% 10% 10% 10%
9	T14S-R28E Section 21: S2SW	✓ C.S.	80.00	VO-5386 11/1/03	FLC	State of New Mexico 1/6	Yates Petroleum Corporation	✓ 9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70% 10% 10% 10%
10	T14S-R28E Section 20: E2NE, SE	✓ C.S.	240.00	VA-1863 12/1/03	FLC	State of New Mexico 1/8	Yates Petroleum Corporation	✓ 9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70% 10% 10% 10%
11	T14S-R28E Section 32: S2	✓ C.S.	320.00	VO-6153 4/1/06	FLC	State of New Mexico 1/6	Yates Petroleum Corporation	✓ 9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70% 10% 10% 10%
12	T14S-R28E Section 32: N2	✓ C.S.	320.00	VO-6171 4/1/06	FLC	State of New Mexico 1/6	Yates Petroleum Corporation	✓ 9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70% 10% 10% 10%
			<b>Total State Lands</b>	<b>2800.00 acres or 81.3953%</b>							

Total Federal Lands 640.00 acres or 18.6047%  
 Total State Lands 2800.00 acres or 81.3953%  
**TOTAL UNIT ACRES 3440.00 acres**

\* THIS TRACT WILL BE AN UNCOMMITTED TRACT

COMMISSIONER'S OFFICE  
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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

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OCT 16 2002

OIL CONSERVATION DIVISION  
**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

October 9, 2002

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval  
Proposed Ten Mile Federal State Exploratory Unit  
Chaves County, New Mexico

Dear Mr. Bullock:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Ten Mile Federal State Exploratory Unit area, Chaves 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 and Designation from the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Yates Petroleum Corporation  
October 9, 2002  
Page 2

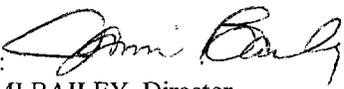
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.

Your \$180.00 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  
BLM-Roswell, Attention: Mr. Armando Lopez  
William F. Carr

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

September 9, 2002

HAND-DELIVERED

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 12938*

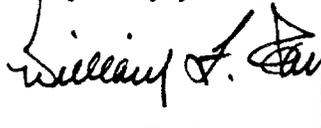
SEP 11 11 01 AM '02

Re: Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves 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 October 10, 2002 Examiner Hearing docket.

Very truly yours,



William F. Carr

Enclosures

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

**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,  
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 12938

**APPLICATION**

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

1. That the proposed Unit consists of 3840 acres, more or less, of State of New Mexico and Federal lands, situated in Chaves County, New Mexico. The horizontal limits of said unit are described as follows:

**Township 14 South, Range 28 East, N.M.P.M.**

Section 20: All  
Section 21: All  
Section 28: All  
Section 29: All  
Section 32: All  
Section 33: All

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.

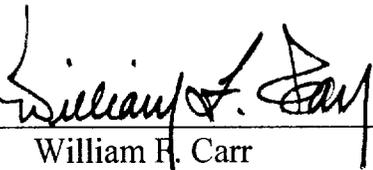
4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

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 October 10, 2002, that notice be given as required by law and the rules of the Division, and that the Ten Mile State/Federal Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART LLP

By:   
William F. Carr

ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

CASE NO. 12938 Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico. Applicant seeks approval of the Ten mile State/ Federal Exploratory Unit for an area comprising 3840 acres of State of New Mexico lands located in Sections 20, 21, 28, 29, 32 and 33 of Township 14 South, Range 28 East, NMPM, which is located approximately 10 miles east of Hagerman, New Mexico.

**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,  
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 12938

**APPLICATION**

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

1. That the proposed Unit consists of 3840 acres, more or less, of State of New Mexico and Federal lands, situated in Chaves County, New Mexico. The horizontal limits of said unit are described as follows:

**Township 14 South, Range 28 East, N.M.P.M.**

Section 20: All  
Section 21: All  
Section 28: All  
Section 29: All  
Section 32: All  
Section 33: All

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.

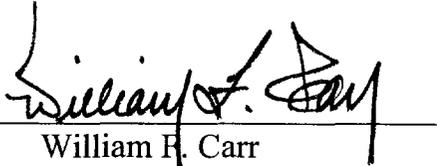
4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

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WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 10, 2002, that notice be given as required by law and the rules of the Division, and that the Ten Mile State/Federal Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART LLP

By:   
William H. Carr

ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

CASE NO. 12938: Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico. Applicant seeks approval of the Ten mile State/ Federal Exploratory Unit for an area comprising 3840 acres of State of New Mexico lands located in Sections 20, 21, 28, 29, 32 and 33 of Township 14 South, Range 28 East, NMPM, which is located approximately 10 miles east of Hagerman, New Mexico.