

#13,007

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

March 24, 2003

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

Attn: Mr. Robert Bullock

Re: Final Approval
Otis State Exploratory Unit
Lea County, New Mexico

Dear Mr. Bullock:

This office is in receipt of your letter of March 21, 2003, requesting final approval of the Otis State Exploratory Unit Agreement, Lea County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Otis State Exploratory Unit Agreement. The effective date of your agreement is March 24, 2003.

It is our understanding that all tracts are fully committed to the unit agreement.

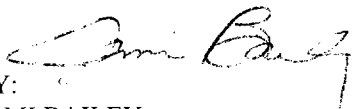
Enclosed are (5) Certificates of Approval.

Your \$150.00 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,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY
Oil, Gas & Minerals Division
(505) 827-5744
PL/JB/pm

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

RECEIVED

MAR 25 2003

OIL CONSERVATION
DIVISION

UNIT NAME: OTIS STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 03/24/2003	CASE NO. 13007 ORDER NO. R-11920	3050.84	3050.84	0	0	STRICT	5 YEARS SO LONG AS

APPROVALS

SLO--03-24-2003
OCD--03-20-2003

TOWNSHIP 15 SOUTH, RANGE 34 EAST

SECTION 8: All
SECTION 17: All
SECTION 19: Lots 1, 2, 3, 4, E/2, E/2W/2
SECTION 20: ALL
SECTION 30: Lots 1, 2, E/2, E/2NW/4

<p>vron BP 0363</p>	<p>Yates Pet, etal 12-1-2005 V-6045 14279</p> <p>Superior State TD10503</p>	<p>Yates Pet, etal 12-1-2005 V-6061 10625</p>	<p>Columbia Gas, Dev 9-1-85 VA-331 20657</p> <p>McDonald 10-1-85 DIA 15-85</p> <p>New Mexico St</p>	<p>Yates Pet, etal 1-1-2006 V-6054 5092</p> <p>D.A. Tipton N.M.(86) St.</p>	<p>Yates Pet, etal 10-1-2006 V-6383 17251</p>	<p>Yates Pet, etal 5-1-96 VA-395 3772</p>	<p>State T. Fort Farm Trust, (S)</p>	<p>Yates Pet, etal 10-1-2006 V-6412 6285</p>
<p>Regent Dev. 12-20-2004 3-18-2005</p>	<p>Regent Dev. 10-20-2004 11-5-2004 V-6558 11950</p>	<p>Regent Dev. 10-20-2004 11-5-2004 V-6558 11950</p>	<p>Yates Pet, etal 7-1-2005 V-5885 2939</p> <p>State "Etcheverry"</p>	<p>Yates Pet, etal 7-1-2005 V-5885 2939</p>	<p>Matador Pet. 4-1-2003 V-5277 18150</p>	<p>Kaiser-Francis Texaco 6-17-79 L-3033 172</p> <p>Sanders Pet, etal to 11,000'</p>	<p>State T. Fort Farm Trust, (S)</p>	<p>Yates Pet, etal 10-1-2006 V-6412 6285</p>
<p>Etcheverry Rch. Ltd. Prtnshp. (S) & Mins</p>	<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Yates Pet, etal 7-1-2005 V-5885 2939</p>	<p>Yates Pet, etal 7-1-2005 V-5885 2939</p>	<p>Yates Pet, etal 4-1-2002 VA-1586 8750</p>	<p>Yates Pet, etal 6-1-2005 V-5841 8438</p>	<p>State C.A. Fort, Est, (S)</p>	<p>Yates Pet, etal 7-1-2003 VA-1790 1687</p>
<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Yates Pet, etal 8-1-2005 V-2213 3319</p>	<p>Yates Pet, etal 8-1-2005 V-2214 3438</p>	<p>Yates Pet, etal 7-1-2003 VA-1587 7625</p>	<p>Yates Pet, etal 6-1-2005 V-5841 8438</p>	<p>State C.A. Fort, Est, (S)</p>	<p>Yates Pet, etal 7-1-2003 VA-1790 1687</p>
<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Etcheverry Rch. Ltd. Prtnshp.</p>	<p>Yates Pet, etal 9-1-2006 V-6342 25689</p>	<p>Yates Pet, etal 9-1-2006 V-6361 15939</p>	<p>Yates Pet, etal 7-1-2003 VA-1791 1563</p>	<p>Yates Pet, etal 6-1-2005 V-5841 8438</p>	<p>State C.A. Fort, Est, (S)</p>	<p>Yates Pet, etal 11-1-2 VA-185 1563</p>
<p>David Pet. 7-1-2006 V-6291 22526</p>	<p>David Pet. 7-1-2006 V-6291 22526</p>	<p>David Pet. 7-1-2006 V-6291 22526</p>	<p>Yates Pet, etal 10-1-2002 VA-1688 1563</p>	<p>Yates Pet, etal 10-1-2002 VA-1688 1563</p>	<p>Yates Pet, etal 1-1-2006 V-6103 2601</p>	<p>Yates Pet, etal 1-1-2006 V-6103 2601</p>	<p>State C.A. Fort, Est, (S)</p>	<p>Yates Pet, etal 10-1-2003 V-5529</p>
<p>David Pet. 7-1-2006 V-6291 22526</p>	<p>David Pet. 7-1-2006 V-6291 22526</p>	<p>David Pet. 7-1-2006 V-6291 22526</p>	<p>Yates Pet, etal 10-1-2002 VA-1688 1563</p>	<p>Yates Pet, etal 10-1-2002 VA-1688 1563</p>	<p>Yates Pet, etal 1-1-2006 V-6103 2601</p>	<p>Yates Pet, etal 1-1-2006 V-6103 2601</p>	<p>State C.A. Fort, Est, (S)</p>	<p>Yates Pet, etal 10-1-2003 V-5529</p>

EXHIBIT "B"

Otis State Exploratory 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	<u>T15S-R34E</u> Section 8: All	640.00	VO-5321 6/1/03	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corp. McMillan Production Company Permian Exploration Corporation Michael A. McMillan Edward N. David Keith E. McKamey William B. Owen
							43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.712956% 0.356478% 0.178220% 0.178220%
2	<u>T15S-R34E</u> Section 17: N2, SE4	480.00	VA-2213 8/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corp. McMillan Production Company Permian Exploration Corporation Michael A. McMillan Edward N. David Keith E. McKamey William B. Owen
							43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.712956% 0.356478% 0.178220% 0.178220%
3	<u>T15S-R34E</u> Section 17: SW4	160.00	VA-2214 8/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corp. McMillan Production Company Permian Exploration Corporation Michael A. McMillan Edward N. David Keith E. McKamey William B. Owen
							43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.712956% 0.356478% 0.178220% 0.178220%

EXHIBIT "B"

Otis State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
4	<u>T15S-R34E</u> Section 19: N2	VO-5953 9/1/05	State of New Mexico 1/6	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 Corp. 16.112586% McMillian Production Company 6.040790% McMillian Ventures, LLC 6.000008% Permian Exploration Corporation 6.820742% Michael A. McMillan 0.712956% Edward N. David 0.356478% Keith E. McCarney 0.178220% William B. Owen 0.178220%
5	<u>T15S-R34E</u> Section 19: S2	VO-5954 9/1/05	State of New Mexico 1/6	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 Corp. 16.112586% McMillian Production Company 6.040790% McMillian Ventures, LLC 7.600008% Permian Exploration Corporation 6.820742% Michael A. McMillan 0.712956% Edward N. David 0.356478% Keith E. McCarney 0.178220% William B. Owen 0.178220%
6	<u>T15S-R34E</u> Section 30: N2, SE4	VO-6291 7/1/06	State of New Mexico 1/6	David Petroleum Corp.	None	Yates Petroleum Corporation 43.400000% Yates Drilling Company 6.200000% Abo Petroleum Corporation 6.200000% Myco Industries, Inc. 6.200000% David Petroleum Corp. 16.112586% McMillian Production Company 6.040790% McMillian Ventures, LLC 7.600008% Permian Exploration Corporation 6.820742% Michael A. McMillan 0.712956% Edward N. David 0.356478% Keith E. McCarney 0.178220% William B. Owen 0.178220%

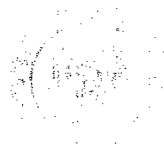
EXHIBIT "B"

Otis State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	SERIAL NUMBER AND EXPIRATION DATE		LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST
		ACRES						
7	T15S-R34E Section 20: W2	320.00	VO-6342 9/1/06	State of New Mexico 1/6	Yates Petroleum Corporation	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corp. McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Michael A. McMillan Edward N. David Keith E. McKamey William B. Owen
							2-11-03	43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.712956% 0.356478% 0.178220% 0.178220%
8	T15S-R34E Section 20: E2	320.00	VO-6361 9/1/06	State of New Mexico 1/6	Yates Petroleum Corporation	None		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. David Petroleum Corp. McMillan Production Company McMillan Ventures, LLC Permian Exploration Corporation Michael A. McMillan Edward N. David Keith E. McKamey William B. Owen
							2-11-03	43.400000% 6.200000% 6.200000% 6.200000% 16.112586% 6.040790% 7.600008% 6.820742% 0.712956% 0.356478% 0.178220% 0.178220%

Total Unit Acres 3050.84

State Lands 100%



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

February 18, 2003

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed Otis State Exploratory 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 Otis State Exploratory 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 19.2.100.51 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.

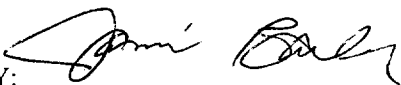
Yates Petroleum Corporation
February 18, 2003
Page 2

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.
8. Your filing fee in the amount of \$150.00 has been received.
9. On Page 2 of the Unit Agreement, Subsection "1. Unit Area," the correct acreage should be 3,050.84 acres.

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/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

January 27, 2003

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 13007

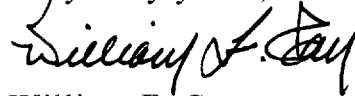
**Re: Application of Yates Petroleum Corporation for
compulsory pooling, Lea County, New Mexico.**

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
February 8, 2003 Examiner Hearing docket.

20

Very truly yours,



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. 13002

APPLICATION

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

1. The proposed Unit Area consists of 3,040 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 8: All
Section 17: All
Section 19: All
Section 20: All
Section 30: 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.

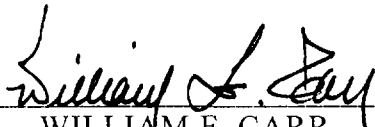
4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

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 February 6, 2003, that notice be given as required by law and the rules of the Division, and that the Otis State Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By: 
WILLIAM F. CARR

ROBERT J. SUTPHIN, JR.

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE NO. 13007:

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the Otis State Exploratory Unit for an area comprising 3040 acres of State of New Mexico lands in Sections 8, 17, 19, 20, and 30 of Township 15 South, Range 34 East, NMPM which is located approximately 12 miles northwest of Lovington, New Mexico.