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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL

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SANTA FE, NEW MEXICO 87504-1148

February 13, 2008

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

Attention: Mr. Robert Bullock

Re: Unit Termination Effective January 20, 2008
Van Dyke State Unit
Lea County, New Mexico

*No
Info*

Dear Mr. Bullock:

Our records reflect that the Van Dyke State Unit was approved effective September 28, 2005. The initial well, the Van Dyke State Unit Well No. 1, SW/4SE/4 Section 17-10S-33E was completed in the Cormac; San Andres pool as a non-commercial well on March 1, 2006. The Van Dyke State Unit Well No. 2 NW/4NE/4 Sec. 11-10S-33E was completed as a non-commercial well in the X-4 Ranch Atoka pool on July 20, 2007.

Article 8. DRILLING TO DISCOVERY: of the unit agreement specifies that until a discovery of a deposit of unitized substances capable of being produced in paying quantities, the unit operator shall continue drilling one well at a time allowing not more than six months between the completion of one well and the commencement of drilling operations on the next well until a well capable of production in paying quantities is completed. Since the initial and second wells are non-paying wells, the Van Dyke State Unit Well No. 3 was to have been commenced on or before January 20, 2008.

Pursuant to Article 8 of the agreement, since drilling operations were not in progress in the unit, the Van Dyke State Unit Agreement has been terminated effective January 20, 2008.

Please advise all interested parties of this action.

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
PI/JB/pm

cc: Reader File
OCD: Attn. Mr. Ed Martin
TRD: Attn. Mr. Valdean Severson

-State Land Office Beneficiaries -