



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 16, 2004

Lori Wrotenbery

Director

Oil Conservation Division

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

Attention: Cy Cowan

Re: *That portion of your recent administrative application seeking an exception to Division Rule 104.C (3) [unorthodox shallow gas well location] for Yates Petroleum Corporation's proposed Desiree "BDS" Well No. 1 (API No. 30-015-33036) to be drilled at an unorthodox gas well location within the SE/4 of Section 34, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, being a standard 160-acre shallow gas spacing unit for any and all formations and/or developed on 160-acre spacing from the top of the San Andres formation to the top of the Wolfcamp formation.*

Dear Mr. Cowan:

This letter acknowledges the above-described administrative application received by the Division on January 29, 2004 and assigned *administrative application reference No. pMES0-404559472*. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in your application is not sufficient to process an administrative order at this time. It appears that portion of your application for an unorthodox shallow gas well location spaced on 160 acres is incomplete with respect to notice. Please refer to Division Rule 1207.A (2) (a) which reads:

"(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A. (5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

- (i) the Division-designated operator;
- (ii) in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
- (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]"

You state in the application, "Yates Petroleum Corporation is the offset operator to the west." Your application and the Division's records show no offsetting shallow gas production in the SW/4 of Section 34; therefore, there is no "operator" to notify. Referencing your "Exhibits II and III" (see copies attached), please identify and show the percentages owned for the working interest, royalty interest, and overriding royalty interest owners in the two fee leases in the SW/4 of Section 34. If required please provide me with proof of notice.

Since the submitted information is insufficient to review, the application was ruled as incomplete on February 16, 2004. Please submit the above stated information by Tuesday, February 24, 2004.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "mstogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,

s/

Michael E. Stogner
Chief Hearing Officer/Engineer

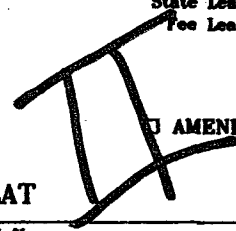
cc: New Mexico Oil Conservation Division - Artesia
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe

DISTRICT I
 25 N. French Dr., Hobbs, NM 88240
 DISTRICT II
 929 South First, Artesia, NM 88210
 DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410
 DISTRICT IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources Department

FORM O-106
 Revised March 17, 1999
 Instruction on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088



AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Wildcat Canyon
Property Code	Property Name DESIREE "BDS"	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3329

Surface Location

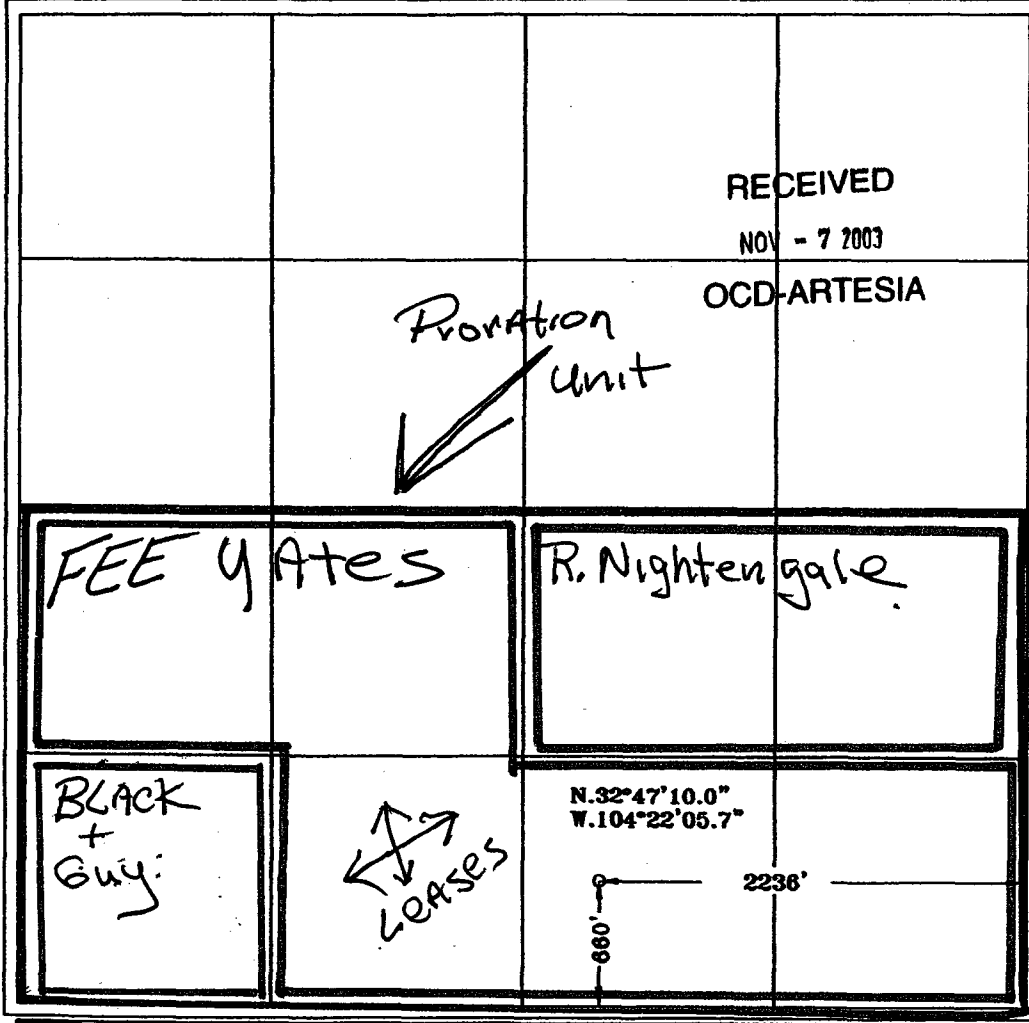
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	34	17S	26E		660	SOUTH	2236	EAST	EDDY

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Cy Cowan
 Signature
 Cy Cowan
 Printed Name
 Regulatory Agent
 Title
 November 6, 2003
 Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

11/03/2003
 Date Surveyed
 Signature & Seal of
 Professional Surveyor

 Certified to the No. 10000 Jones RLS 3640
 DESIREE "BDS" OIL CONSERVATION DIVISION
 GENERAL SURVEYING COMPANY

0 330' 660' 990' 1850' 1980' 2310' 2310' 1980' 1850' 990' 660' 330' 0'

1931
16
17
26
Myrtle Vogel
Yates Pet. 2-FO
Dual
L. Coffall, et al
W.L. Green
Willa G. Connally
H.L. Green
Samsun Hydrocarbons
HBP
So. Roy.
Yates Pet. 1/2
HBP
E. P. Bach
Nearburg
3-31-2003
Sm. Trs.
Devon
12-6-2003
12-4-2003
3-22-2004
Sm. Trs.

Ward
Yates Pet.
HBP
Yates Pet. et al
T. Brown
W.L. Green
Willa G. Connally
H.L. Green
G.C. Dungan, M.I.
Ade Dungan
S. Roy.
Yates Pet. 1/2
HBP
E. P. Bach
Nearburg
2-12-2004, 7-31-2003
5-11-2001
Fannie B. Foster
Martin Yates Jr.
Small Tr.

Ward
Yates Pet.
HBP
Yates Pet. et al
T. Brown
W.L. Green
Willa G. Connally
H.L. Green
G.C. Dungan, M.I.
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S. Roy.
Yates Pet. 1/2
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S. Roy.
Yates Pet. 1/2
HBP
E. P. Bach
Nearburg
2-12-2004, 7-31-2003
5-11-2001
Fannie B. Foster
Martin Yates Jr.
Small Tr.

New Suso. Revised 3/15/04

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1896 - 1988



S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

Fax Cover Sheet

To: Michael Stogner
Company: NMOC
Phone: (505) 476-3440
Fax: (505) 476-3462

From: Cy Cowan
Company: Yates Petroleum Corporation
Phone: 505-748-1471
Fax: 505-748-4572

Date: 2/23/04
Pages including this cover page: 9

Comments:
Additional information requested
by you for PMES0-404559472
Desire BDS State #1

Thanks!
Cy Cowan

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
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JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 23, 2004

Mr. Michael Stogner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Via Facsimile
Certified Mail
Return Receipt Request

RE: Reference No. pMESO-404559472
Desiree BDS State #1
660' FSL and 2236' FEL
Section 34, T17S-R26E
Eddy County, New Mexico

Dear Mr. Stogner:

Per your letter dated February 16, 2004 regarding offset ownership of working interest, royalty interest and overriding royalty interests in the two (2) fee leases in the SW/4 of Section 34, T17S-R26E for a 160 acre spacing for a shallow gas well please be advised of the following:

Royalty Interest Owners:

Sandra Leigh Terry: 30 net acres 1/4 royalty
Lease to Yates Petroleum Corporation 70%, Yates Drilling Company 10%, Abo Petroleum Corporation 10%, and Myco Industries Incorporated 10%

Susan Lynn Terry 30 net acres 1/4 royalty
Lease to Yates Petroleum Corporation 70%, Yates Drilling Company 10%, Abo Petroleum Corporation 10%, and Myco Industries Incorporated 10%

Barbara Kruse Frankenfield 30 net acres 1/4 royalty
Lease to Yates Petroleum Corporation 70%, Yates Drilling Company 10%, Abo Petroleum Corporation 10%, and Myco Industries Incorporated 10%

Non-participating royalty interest equal to 1/16 of all oil and gas produced is owned in the following:

Carl F. Baumeister and Eleanor H. Baumeister, Trustees under Trust Agreement dated October 2, 1953, recorded Book 38, Page 87 Miscellaneous Records of Eddy County 2/4


The Nell Blackmar Limited Partnership 1/4

Debco, I.L.C., a New Mexico Limited Partnership 1/4

Should you need anything further please advise.

Very truly yours,

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent
/cyc

MARTIN YATES, III
1912 - 1996
FRANK W. YATES
1936 - 1966



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 23, 2004

TO: Addressee List Attached

Certified Mail
Return Receipt Requested

**RE: Offset Operator/Leasehold Notification
Unorthodox Location
Desiree BDS State #1
Township 17 South, Range 26 East
Section 34: 660' FSL & 2236 FEL
Eddy County, New Mexico**

Gentlemen:

Yates Petroleum Corporation has been advised by the Artesia office of the Oil Conservation Division that the Desiree BDS State #1 well is located at an unorthodox location described above. This location does not comply with existing special rules for an unorthodox shallow gas well located on 160 acre spacing. Yates was asked by the surface owner to move this location to the unorthodox location because of the original location would interfere with his plan to develop this area for building homes.

If you have no objections to this unorthodox location please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

The undersigned hereby waives any objection to the unorthodox location of Yates Petroleum Corporation's Desiree BDS State #1.

Very truly yours,

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent

Company: _____

Name: _____

Title: _____

Date: _____

***Notification List of Offset
Operator/leasehold Owners***

**Unorthodox Location
Desiree DBS State #1
Township 17 South, Range 26 East
Section 34: 660' FSL and 2236' FEL
Eddy County, New Mexico**

**Sandra Leigh Terry
P.O. Box 12617
El Paso, TX 79912**

**Susan Lynn Terry
7200 Montgomery NE #367
Albuquerque, NM 87109**

**Barbara Kruse Frankenfield
7333 Wooded Acres Trail
Mansfield, TX 76063**

**Carl F. & Eleanor H. Baumeister Trustees for
Lida Bard Baumeister Trustee
C/O Richard Baumeister
1321 Forever Avenue
Libertyville, IL 60048**

**Nell L. Blackmar Limited Partnership
C/O Charles F. Smith
2809 Riverside Drive
Roswell, NM 88201**

**DEBCO, LLC a New Mexico Limited Partnership
Attention: Pamela B. Link
106 Flowing Spring Trail
Spicewood, TX 78669-8657**

DISTRICT I
3220 N. French Dr., Hobbs, NM 88240

STATE OF NEW MEXICO

Revised March 17, 1999

DISTRICT II
611 South First, Artesia, NM 88210

Energy, Minerals and Natural Resources Department

Instruction on back

DISTRICT III
1900 N. Bryan Rd., Aztec, NM 87410

Submit to Appropriate District Office

DISTRICT IV
2470 South Pueblo, Santa Fe, NM 87505

State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Wildcat Yeso
Property Code	Property Name DESIREE "BDS"	Well Number 7
CORD No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3329

Surface Location

TL or lot No.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
0	34	17S	26E		660	SOUTH	2236	EAST	EDDY

Bottom Hole Location If Different From Surface

TL or lot No.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>P. U.</p>	<p>D. W.</p>		<p>N. 32° 47' 10.0" W. 106° 22' 03.7"</p>	<p>3640</p>	
	<p>3640</p>				
	<p>3640</p>				
	<p>3640</p>				

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: _____
Cy Cowan

Printed Name: _____
Regulatory Agent

Title: _____
January 27, 2004

Date: _____

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date: 11/03/2003

Signature: _____
PRELL JONES

Printed Name: _____
PRELL JONES

Title: _____
REGISTERED SURVEYOR

Number: 3640

Commission Expires: _____

General Surveying Company

DISTRICT I
1000 N. French St., Hobbs, NM 88240

STATE OF NEW MEXICO

Energy, Minerals and Natural Resources Department

Revised March 17, 1999

Instructions on back

Submit to Appropriate District Office

State Loans - 4 Copies

Fee Loans - 6 Copies

DISTRICT II
613 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pueblo, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Undesignated Atoka San Andres
Property Code	Property Name DESIREE "BDS"	Well Number 1
OSMS No. 020575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3329

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	34	17S	26E		660	SOUTH	2236	EAST	EDDY

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

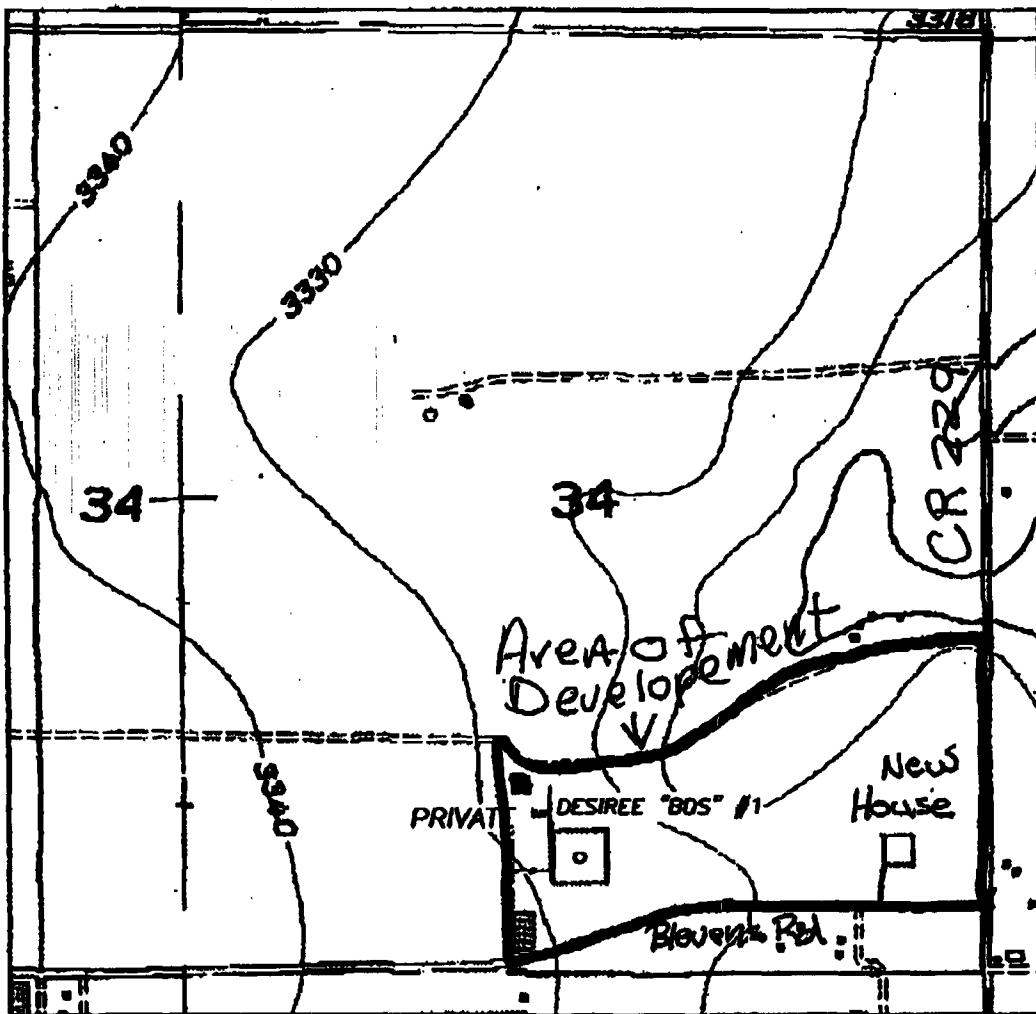
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

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	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p>		
	<p>Signature _____</p> <p style="text-align: center;">Cy Cowan</p>		
	<p>Printed Name _____</p> <p style="text-align: center;">Regulatory Agent</p>		
	<p>Title _____</p> <p style="text-align: center;">January 27, 2004</p> <p>Date _____</p>		
<p style="text-align: center;">P. U</p>		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p>	
		<p>Date Signed <u>11/03/2003</u></p> <p>Signature _____</p> <p style="text-align: center;"> </p>	

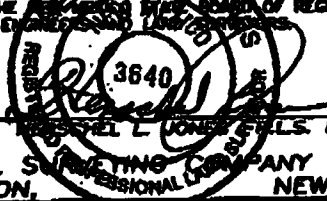
0 300' 600' 900' 1200' 1500' 1800' 2100' 2400' 2700' 3000' 3300' 3600' 3900' 4200' 4500' 4800' 5100' 5400' 5700' 6000'

SECTION 34, TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAN AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE SUPERVISED BY ME AND THE PLAN ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STATUTES FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.



GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES DESIREE "BOS" #1 WELL, LOCATED IN SECTION 34, TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/03/2003	Sheet 1 of 1	Scale
Drawn By: Ed Blaine	W.D. Number	
Date: 11/03/03	Scale 1" = 1000' DESIREE 1	

PLEASE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. POSTAGE PAID PERMIT NO. 1000 DALLAS, TEXAS 75201
CERTIFIED MAIL

7002 2030 0001 8261 7220
7002 2030 0001 8261 7220

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Sandra Leigh TERRY
 Street, Apt. No. or PO Box No. PO Box 12617
 City, State, ZIP+4 EL PASO, TX 79912

PS Form 3800, June 2002 See Reverse for Instructions

PLEASE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. POSTAGE PAID PERMIT NO. 1000 DALLAS, TEXAS 75201
CERTIFIED MAIL

7002 2030 0001 8261 7227
7002 2030 0001 8261 7227

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Susan Lynn TERRY
 Street, Apt. No. or PO Box No. 700 Montgomery # 367
 City, State, ZIP+4 Albuquerque, NM 87109

PS Form 3800, June 2002 See Reverse for Instructions

PLEASE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. POSTAGE PAID PERMIT NO. 1000 DALLAS, TEXAS 75201
CERTIFIED MAIL

7002 2030 0001 8261 7234
7002 2030 0001 8261 7234

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Barbara Kruse Frankensfield
 Street, Apt. No. or PO Box No. 7253 Wooded Acres Trl.
 City, State, ZIP+4 Wrensfield, TX 76063

PS Form 3800, June 2002 See Reverse for Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS ZIP AT DOTTED LINE
CERTIFIED MAIL

7002 2030 0001 8261 7241
7002 2030 0001 8261 7241

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: **Baumister Trust**
Street, Apt. No. or PO Box No.: **1321 Forever Ave**
City, State, ZIP+4: **Libertyville, IL 60048**

PS Form 3800, June 2002 See Reverse for Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS ZIP AT DOTTED LINE
CERTIFIED MAIL

7002 2030 0001 8261 7258
7002 2030 0001 8261 7258

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: **Nell Blackmar L.P.**
Street, Apt. No. or PO Box No.: **2809 Riverside Dr**
City, State, ZIP+4: **Roswell, NM 88201**

PS Form 3800, June 2002 See Reverse for Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS ZIP AT DOTTED LINE
CERTIFIED MAIL

7002 2030 0001 8261 7265
7002 2030 0001 8261 7265

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: **DBCO LLC.**
Street, Apt. No. or PO Box No.: **106 Flowing Spring Trl**
City, State, ZIP+4: **Spice Wood, TX 78669-8659**

PS Form 3800, June 2002 See Reverse for Instructions

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 23, 2004

Mr. Michael Stogner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Via Facsimile
Certified Mail
Return Receipt Request

RECEIVED

FEB 25 2004

OIL CONSERVATION
DIVISION

RE: Reference No. pMESO-404559472
Desiree BDS State #1
660' FSL and 2236' FEL
Section 34, T17S-R26E
Eddy County, New Mexico

Dear Mr. Stogner:

Per your letter dated February 16, 2004 regarding offset ownership of working interest, royalty interest and overriding royalty interests in the two (2) fee leases in the SW/4 of Section 34, T17S-R26E for a 160 acre spacing for a shallow gas well please be advised of the following:

Royalty Interest Owners:

Sandra Leigh Terry: 30 net acres 1/4 royalty
Lease to Yates Petroleum Corporation 70%, Yates Drilling Company 10%, Abo Petroleum Corporation 10%, and Myco Industries Incorporated 10%

Susan Lynn Terry 30 net acres 1/4 royalty
Lease to Yates Petroleum Corporation 70%, Yates Drilling Company 10%, Abo Petroleum Corporation 10%, and Myco Industries Incorporated 10%

Barbara Kruse Frankenfield 30 net acres 1/4 royalty
Lease to Yates Petroleum Corporation 70%, Yates Drilling Company 10%, Abo Petroleum Corporation 10%, and Myco Industries Incorporated 10%

Non-participating royalty interest equal to 1/16 of all oil and gas produced is owned in the following:

Carl F. Baumeister and Eleanor H. Baumeister, Trustees under Trust Agreement dated October 2, 1953, recorded Book 38, Page 87 Miscellaneous Records of Eddy County 2/4


The Nell Blackmar Limited Partnership 1/4

Debco, LLC, a New Mexico Limited Partnership 1/4

Should you need anything further please advise.

Very truly yours,

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent
/cyc

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

February 23, 2004

TO: Addressee List Attached

Certified Mail
Return Receipt Requested

**RE: Offset Operator/Leasehold Notification
Unorthodox Location
Desiree BDS State. #1
Township 17 South, Range 26 East
Section 34: 660' FSL & 2236 FEL
Eddy County, New Mexico**

Gentlemen:


Yates Petroleum Corporation has been advised by the Artesia office of the Oil Conservation Division that the Desiree BDS State #1 well is located at an unorthodox location described above. This location does not comply with existing special rules for an unorthodox shallow gas well located on 160 acre spacing. Yates was asked by the surface owner to move this location to the unorthodox location because of the original location would interfere with his plan to develop this area for building homes.

If you have no objections to this unorthodox location please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

The undersigned hereby waives any objection to the unorthodox location of Yates Petroleum Corporation's Desiree BDS State #1.

Very truly yours,

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent

Company: _____

Name: _____

Title: _____

Date: _____

***Notification List of Offset
Operator/leasehold Owners***

Unorthodox Location
Desiree DBS State #1
Township 17 South, Range 26 East
Section 34: 660' FSL and 2236' FEL
Eddy County, New Mexico

Sandra Leigh Terry
P.O. Box 12617
El Paso, TX 79912

Susan Lynn Terry
7200 Montgomery NE #367
Albuquerque, NM 87109

Barbara Kruse Frankenfield
7333 Wooded Acres Trail
Mansfield, TX 76063

Carl F. & Eleanor H. Baumeister Trustees for
Lida Bard Baumeister Trustee
C/O Richard Baumeister
1321 Forever Avenue
Libertyville, IL 60048

Nell L. Blackmar Limited Partnership
C/O Charles F. Smith
2809 Riverside Drive
Roswell, NM 88201

DEBCO, LLC a New Mexico Limited Partnership
Attention: Pamela B. Link
106 Flowing Spring Trail
Spicewood, TX 78669-8657

DISTRICT I
 1425 N. French Dr., Hobbs, NM 88249
DISTRICT II
 811 South First, Artesia, NM 88210
DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
 2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Wildcat Yeso
Property Code	Property Name DESIREE "BDS"	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3329

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	34	17S	26E		660	SOUTH	2236	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION	
	<p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p>	
	<p>Signature _____ Cy Cowan Printed Name _____ Regulatory Agent Title _____ January 27, 2004 Date _____</p>	
	SURVEYOR CERTIFICATION	
<p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p>		
<p>Date Surveyed 11/03/2003 Signature & Seal of Professional Surveyor </p>		
<p>Certification No. _____ Jones RLS 3640 PROFESSIONAL SURVEYOR GENERAL SURVEYING COMPANY</p>		

DISTRICT II
611 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Undesignated Atoka San Andres
Property Code	Property Name	Well Number
	DESIREE "BDS"	1
OCRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3329

Surface Location

UL or lot No.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
0	34	17S	26E		660	SOUTH	2236	EAST	EDDY

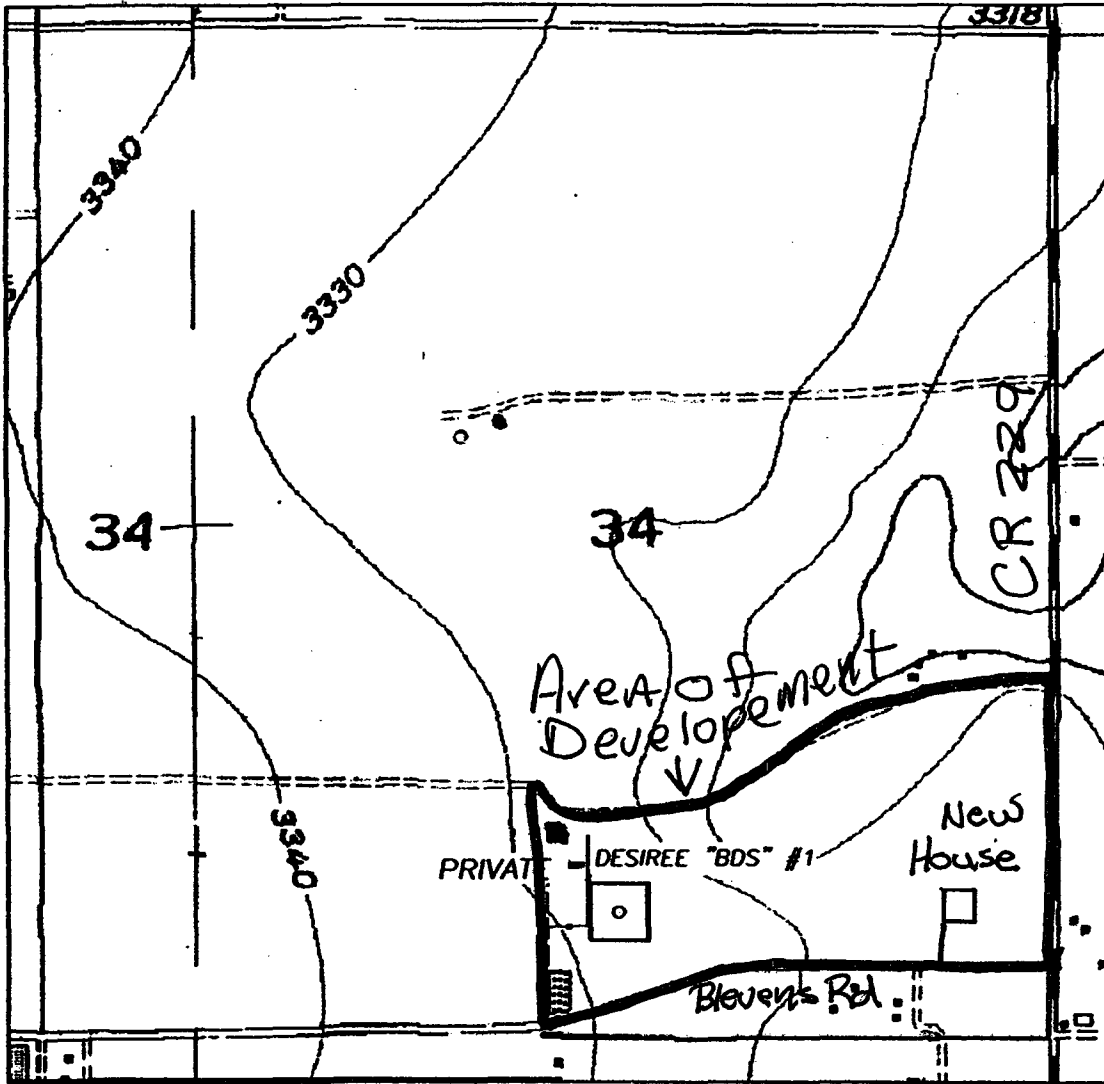
Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or InHH	Consolidation Code	Order No.						
160									

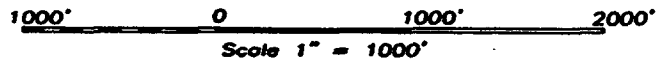
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p>	
	<p>Signature _____</p> <p>Cy Cowan</p>	
	<p>Printed Name _____</p> <p>Regulatory Agent</p>	
	<p>Title _____</p> <p>January 27, 2004</p> <p>Date _____</p>	
<p>SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p>		<p>11/03/2003</p> <p>Date Surveyed</p>
<p>N.32°47'10.0" W.104°22'05.7"</p> <p>2236'</p> <p>660'</p>		<p>Signature _____</p> <p>Professional Seal of _____</p> <p>NEW MEXICO</p> <p>3640</p> <p>Certification No. _____ Jones RLS 3640</p> <p>GENERAL SURVEYING COMPANY</p>

SECTION 34, TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



VE
Cont.



THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

REGISTERED SURVEYOR
3640
NICHOL L. JONES
L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES DESIREE "BDS" #1 WELL, LOCATED IN SECTION 34, TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/03/2003	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/03/03	Scale 1" = 1000' DESIREE 1

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.

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Total Postage & Fees	\$

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Sent To Sandra Leigh TERRY
 Street, Apt. No. or PO Box No. PO Box 12617
 City, State, ZIP+4 EL PASO, TX 79912

PS Form 3800, June 2002

See Reverse for Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.

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Sent To Susan Lynn TERRY
 Street, Apt. No. or PO Box No. 7000 Montgomery # 367
 City, State, ZIP+4 Albuquerque, NM 87109

PS Form 3800, June 2002

See Reverse for Instructions

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Total Postage & Fees	\$

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Here

Sent To BARBARA Kruse Frankenkfield
 Street, Apt. No. or PO Box No. 7333 Wooded Acres Trl.
 City, State, ZIP+4 Monksfield, TX 76063

PS Form 3800, June 2002

See Reverse for Instructions

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

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Sent To Baumister Trust
 Street, Apt. No.; or PO Box No. 1321 Forever AVE
 City, State, ZIP+4 Libertyville, IL 60048

PS Form 3800, June 2002 See Reverse for Instructions

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 7002 2030 0001 8261 7250

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark Here

Sent To Nell Blackmar L.P.
 Street, Apt. No.; or PO Box No. 2809 Riverside Dr
 City, State, ZIP+4 Roswell, NM 88201

PS Form 3800, June 2002 See Reverse for Instructions

7002 2030 0001 8261 7265

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

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Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark Here

Sent To DEBCO LLC.
 Street, Apt. No.; or PO Box No. 106 Flowing Spring Trl
 City, State, ZIP+4 Spice wood, Tx 78669-8655

PS Form 3800, June 2002