



State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

PATRICK H. LYONS
COMMISSIONER

COMMISSIONER'S OFFICE

Phone (505) 827-5760

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www.nmstatelands.org

March 3, 2004

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

Attention: Ms. Susan Vierra

Re: Proposed North Dagger Draw Upper Penn Unit
Eddy County, New Mexico

Dear Ms. Vierra:

This office has reviewed the unexecuted copy of the unit agreement which you have submitted for the proposed North Dagger Draw Upper Penn Unit, Eddy County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and 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.

It is our understanding that no fresh water will be used for injection in this project.

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. 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.
3. Order of the New Mexico Oil Conservation Division and approval by 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.
4. A copy of the Unit Operating Agreement.
5. A copy of your Initial Plan of Operation.
6. A re-designation of well names and numbers.
7. On Exhibit "B", please update the correct lessees of record as noted in the enclosed copy.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case Nos. 13227/13228 Exhibit No. 8

Submitted by:

Yates Petroleum Corporation

Hearing Date: March 4, 2004

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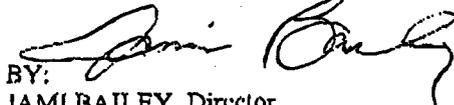
8. There are several communitization agreements that will no longer be required when this agreement is approved. Please advise this office which communitization agreements need to be terminated upon approval of this unit agreement.
9. On Exhibit "B", please do not mix the tracts. Please list the Federal tracts together, State tracts together, and Fee tracts together. The Federal tracts should be listed first, the State tracts should be listed second and the Fee tracts should be listed last. Please include a recapitulation of the total Federal, State and Fee acreages and percentages on the last page of Exhibit "B".

Your \$270 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, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/pm

pc: Reader File
OCD-Attention: Roy Johnson
BLM-Roswell, Attention Mr. Armando Lopez