

South, Range 35 East, NMPM, Lea County, New Mexico to an approximate depth of 13,100 feet to test all formations from the surface to the base of the Mississippian formation. The estimated costs for this well are \$2,354,000 million. (The AFE is attached as Yates Exhibit 2).

4. Attachment A to the Affidavit is a copy of the Unit Agreement for the proposed Chesney State Exploratory Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.

5. Attachment B to the Affidavit is the plat to the Unit Agreement that shows the boundaries of the Chesney State Exploratory Unit and the location of the initial unit test well.

6. Attachment C to this Affidavit is a copy of Schedule B to the Unit Agreement for the Chesney State Exploratory Unit that identifies the working interest ownership in the unit area. Approximately 99% percent of the working interest in the Unit Area is owned by Yates and its affiliated companies and is committed to the Unit. Eight (8) acres in the proposed Unit is unleased fee land. Yates Exhibit 3 are copies of the notice letters that were sent to all owners with unleased mineral interests in the proposed unit area. The letter advises each owner that they have the option of leasing their interest to Yates (Tab A to Exhibit 3 is the lease sent to each unleased interest owner), participating in the unit, or not participating at all by signing a waiver (Tab B to Exhibit 3 is a copy of the waiver of joinder sent to each unleased interest owner).

7. The schedule under Attachment C to the Affidavit also identifies the royalty interest in the Unit Area. 99% percent of the royalty interest is owned by the State of New Mexico and leased fee owners. Attachment D to this Affidavit is a letter from the New Mexico Commissioner of Public Lands giving preliminary approval of the State Land Office to the proposed Chesney State Exploratory Unit. There are no overriding royalty interests in the Unit Area.

8. All of Yates' interest in the Unit Area have been committed to the Unit.

9. Attachment E to this affidavit is a Atoka Red Sand Isopach Map. Yates is attempting to locate channel sands by utilizing 3-D seismic, log correlations, and regional mapping. Although these gas sands can be very productive, the channels are very narrow and limited in aerial extent. The targeted sand channel is shown on the map. The productive Atoka-Morrow wells are shown on the map with solid red circles. The map shows 18 feet of net pay in the red sand interval for the Ray Well (in Section 25). The Ray Well had a cumulative production of 290 MMCFG over 13 months. The well is currently making 526 MCF/D which is economic because it was a re-entry well (but would not have been as a new drill). The Dempster No. 1 Well (in Section 30) had a very limited production of 29 MMCFG. The Dempster No. 2 Well (in Section 31) is wet in the Atoka. Yates is attempting to get updip to get a thicker sand interval at the proposed location. This Atoka sand channel is a difficult system to identify on the 3-D seismic since it is normally only about 20 feet thick. The only well which will be

economic as a new drill in the mapped area is the Reba Well (in Section 29) which had a cumulative production of 211 MMCFG in five months and is currently making 814 MCF/D. There have been no wells drilled inside the unit.

10. Attachment F is Cross Section A-A' and shows this channel system which is productive in the Ray Well, a recent re-entry in Section 25. The Roger Well is shown as a gas well but it only tested 75 MCF/D from a different Atoka sand. It is waiting on a pipeline but will have limited production. The Statler Well is currently testing several intervals but will probably not be a good well. Yates is currently drilling the Boots Well (in Section 9).

11. The unit covers an area that can be reasonably developed under a unit plan.

12. The primary target is the Atoka-Morrow formation.

13. If the initial unit well is successful, additional wells will be drilled in the Unit Area. Accordingly, approval of the unit agreement will result in the efficient recovery of hydrocarbons.

14. Approval of the Chesney State Exploratory Unit and the development of the Unit Area pursuant to a unit plan is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.



John Amiet

SUBSCRIBED AND SWORN before me on this 22nd day of February, 2004.



Notary Public

My Commission Expires:

10/9/08