

13550



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

August 31, 2005

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

Attention: Mr. Chuck Moran

Re: Preliminary Approval
Proposed Lacrosse State Exploratory Unit
Chaves County, New Mexico

Dear Mr. Moran:

Thank you for providing the unexecuted copy of the unit agreement, for the proposed Lacrosse State Exploratory Unit area, Chaves 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. Our preliminary approval is contingent on a two (2) well drilling commitment within the Unit area.

Preliminary approval should 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 stating the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to 19.2.100.51 NMAC 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.

2005 SEP 22 PM 12:29

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Salina Lands • Water Beneficiaries • Western New Mexico University

Yates Petroleum Corporation
August 31, 2005
Page 2

4. Order of the New Mexico Oil Conservation Division (OCD). Our approval will be conditioned upon subsequent favorable approval by the OCD.
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 and any subsequent well.
8. The filing fee for a unit agreement is thirty dollars (\$30) for every section or partial section thereof; therefore a \$180 filing fee is required.

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~~
William F. Carr



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PATRICK H. LYONS
COMMISSIONER

September 7, 2005

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

Attention: Mr. Chuck Moran

Re: Proposed Lacrosse State Unit
Amendment of Paragraph 8, Drilling to Discovery
Chaves County, New Mexico

RECEIVED
SEP - 9 2005
OIL CONSERVATION
DIVISION

Dear Mr. Moran:

Thank you for your letter of September 7, 2005 wherein Yates Petroleum Corporation is willing to proceed with a two well commitment and requests the amendment of Paragraph 8 to the Lacrosse State Unit agreement. The amendment provides that the unit operator shall not in any event be required to drill said wells to a depth in excess of 6,075 feet.

The Commissioner of Public Lands approves the subject amendment of Paragraph 8 with the understanding that the change to 6,075 feet will be a sufficient depth to test the Siluro-Devonian formation for both wells.

Please provide an updated copy of the unit agreement reflecting these changes.

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~~
William F. Carr

-State Land Office Beneficiaries -

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September 29, 2005

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

Attn: Mr. Chuck Moran

Re: Final Approval
Lacrosse State Exploratory Unit
Chaves County, New Mexico

RECEIVED
OCT 3 2005
OIL CONSERVATION
DIVISION

Dear Mr. Moran:

Thank you for your letter of September 27, 2005 requesting final approval of the Lacrosse State Exploratory Unit Agreement, Chaves County, New Mexico.

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

The Commissioner of Public Lands has this date granted final approval to the Lacrosse State Exploratory Unit Agreement effective September 29, 2005.

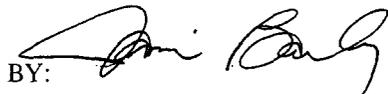
Enclosed are five (5) Certificates of Approval.

Your \$180.00 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
Mr. William F. Carr

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

UNIT NAME: LACROSSE STATE EXPLORATORY UNIT
 OPERATOR: YATES PETROLEUM CORPORATION
 COUNTY: CHAVES

DATE	OCC CASE NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.						
EFFECTIVE	CASE NO. 13550	3840.00	3840.00	0	40	Strict	5 YEARS
09/29/2005	ORDER NO. R-12429						SO LONG AS

APPROVALS

SLO--09-29-2005
 OCD--09-26-2005

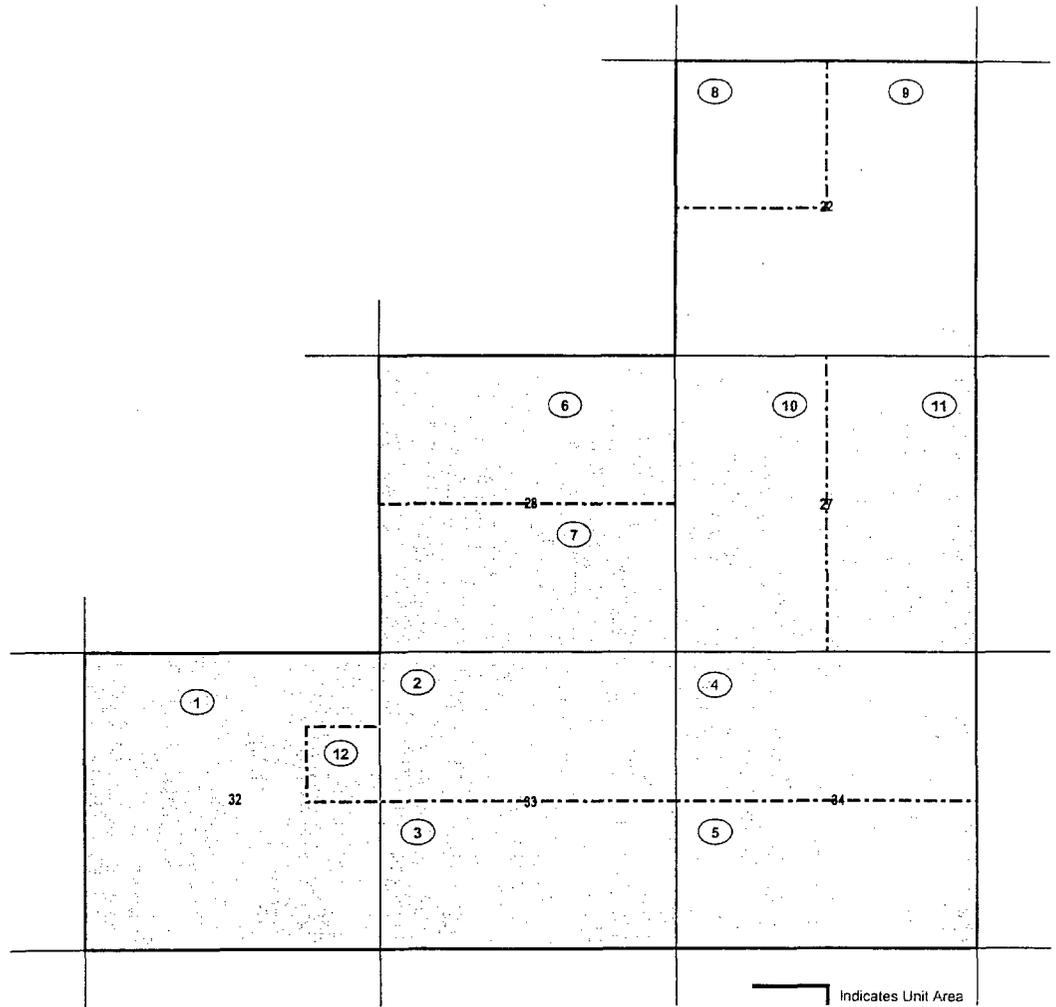
TOWNSHIP 11 SOUTH, RANGE 27 EAST

- SECTION 22: ALL
- SECTION 27: ALL
- SECTION 28: ALL
- SECTION 32: ALL
- SECTION 33: ALL
- SECTION 34: ALL

EXHIBIT "A"

Yates Petroleum Corporation

Lacrosse State Unit Area
Township 11 South, Range 27 East, N.M.P.M.
Chaves County, New Mexico



Indicates Unit Area

Scale 2 inches = 1 mile

Tract number

**Exhibit B
Lacrosse State Unit
Chaves County, New Mexico**

Tract No.	Lessor	Description of Land Township 11 South - Range 27 East N.M.P.M.	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessee of Record/ Original Lessee	% and Percentage	Overriding Royalty and Percentage	% and Percentage	Working Interest Owner and Percentage	%
1	State of New Mexico	Sec. 32: N/2NE, SW/4NE/4, W/2, SE/4	600	VA-2226	10/1/2005	1/8	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	
2	State of New Mexico	Sec. 33: N/2	320	VA-2227	10/1/2005	1/6	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	
3	State of New Mexico	Sec. 33: S/2	320	VA-2228	10/1/2005	1/6	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	
4	State of New Mexico	Sec. 34: N/2	320	VA-2222	10/1/2005	1/6	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	
5	State of New Mexico	Sec. 34: S/2	320	VA-2229	10/1/2005	1/6	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	
6	State of New Mexico	Sec. 28: N/2	320	VO-6422	11/1/2006	1/6	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	
7	State of New Mexico	Sec. 28: S/2	320	VO-6431	11/1/2006	1/8	Yates Petroleum Corporation	100%	None.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	

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Lacrosse State Unit
Chaves County, New Mexico**

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8	State of New Mexico	Sec. 22: NW/4	160	VA-2331	1/1/2006	1/8	Yates Petroleum Corporation	None.	70.00% Yates Petroleum Corporation 10.00% Abo Petroleum Corporation 10.00% Myco Industries, Inc. 10.00%
9	State of New Mexico	Sec. 22: NE/4, S/2	480	VO-6243	6/1/2006	1/8	Yates Petroleum Corporation	None.	49.00% Yates Petroleum Corporation 7.00% Abo Petroleum Corporation 7.00% Myco Industries, Inc. 7.00% Elk Oil Company 15.00% Elliott-Hall Company, Limited 3.00% Elliott Industries, Limited 3.00% Genesis Limited Partnership 4.50% Tumbleweed Oil & Gas L.L.C. 4.50%
10	State of New Mexico	Sec. 27: W/2	320	VO-6246	6/1/2006	1/8	Yates Petroleum Corporation	None.	49.00% Yates Petroleum Corporation 7.00% Abo Petroleum Corporation 7.00% Myco Industries, Inc. 7.00% Elk Oil Company 15.00% Elliott-Hall Company, Limited 3.00% Elliott Industries, Limited 3.00% Genesis Limited Partnership 4.50% Tumbleweed Oil & Gas L.L.C. 4.50%
11	State of New Mexico	Sec. 27: E/2	320	VO-6232	6/1/2006	1/8	Yates Petroleum Corporation	None.	49.00% Yates Petroleum Corporation 7.00% Abo Petroleum Corporation 7.00% Myco Industries, Inc. 7.00% Elk Oil Company 15.00% Elliott-Hall Company, Limited 3.00% Elliott Industries, Limited 3.00% Genesis Limited Partnership 4.50% Tumbleweed Oil & Gas L.L.C. 4.50%

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Lacrosse State Unit
Chaves County, New Mexico**

Tract No.	Lessor	Description of Land Township 11 South - Range 27 East N.M.P.M.	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessee of Record/ Original Lessee	%	Overriding Royalty and Percentage	%	Working Interest Owner and Percentage	%
12	Charles F. and Pauline C. Smith Living Trust, Charles F. and Pauline C. Smith Trustees	Sec. 32: SE/4NE/4	40		8/9/2010		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	70.00% 10.00% 10.00% 10.00%	None.		Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.	25.00% 25.00% 25.00% 25.00%
Total State Tracts												3800
Total Fee Tracts												40
Total Unit Area												<u>3840</u>