

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 • NM School of Medicine • NM School of Nursing • NM School of Pharmacy • NM School of Veterinary Medicine

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 5002 0 2 337
 UNIT NAME: DEHAVILLAND STATE EXPLORATORY UNIT
 OPERATOR: YATES PETROLEUM CORPORATION
 COUNTY: CHAVES

DECLINING
 OCC CASE NO.
 OCC ORDER NO.

DATE	OCC CASE NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
APPROVED							
EFFECTIVE	CASE NO. 13592	7038.69	7038.69	0	0	STRICT	5 YEARS
12/16/2005	ORDER NO. R-12457						SO LONG AS

APPROVALS

SLO--12-16-2005
 OCD--11-22-2005

TOWNSHIP 05 SOUTH, RANGE 26 EAST

SECTION 6: Lots 1-7, S/2NE/4, SE/4, E/2SW/4, SE/4NW/4
 SECTION 7: Lots 1-4, E/2, E/2W/2
 SECTION 16: ALL
 SECTION 17: ALL
 SECTION 18: Lots 1-4, E/2, E/2W/2
 SECTION 20: ALL
 SECTION 21: ALL
 SECTION 28: ALL
 SECTION 29: ALL
 SECTION 32: ALL
 SECTION 33: ALL

Exhibit B
DeHavilland State Unit
Chaves County, New Mexico

Tract No.	Lessor	Description of Land	No. of Acres	Lease No.	Lease Expiration Date	Royalty	Lessee of Record/Original Lessee	%	Overriding Royalty and Percentage	%	Working Interest Owner and Percentage	%
1	State of New Mexico	Sec. 17, S1/2 N.M.P.M.	320.00	VA-2311	1/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Cyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waltrip, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00
2	State of New Mexico	Sec. 17, N1/2	320.00	VA-2330	1/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Cyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waltrip, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00
3	State of New Mexico	Sec. 20, N1/2	320.00	VA-2253	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Cyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waltrip, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00

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Chaves County, New Mexico

Tract No.	Lessor	Description of Land Township 5 South - Range 26 East N.M.P.M.	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessor of Record/ Original Lessee	%	Overriding Royalty and Percentage	%	Working Interest Owner and Percentage	%
4	State of New Mexico	Sec. 21: N/2	320.00	VA-2354	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Clyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waltrip, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00
5	State of New Mexico	Sec. 28: N/2	320.00	VA-2355	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Clyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waltrip, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00
6	State of New Mexico	Sec. 29: N/2	320.00	VA-2356	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Clyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waltrip, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00

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Chaves County, New Mexico

Tract No.	Lessor	Description of Land	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessee of Record/ Original Lessee	%	Overriding Royalty and Percentage	%	Working Interest Owner and Percentage	%
7	State of New Mexico	Sec. 28: S/2 N.M.P.M.	320.00	VA-2371	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Clyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waldrup, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00
8	State of New Mexico	Sec. 33: N/2	320.00	VA-2357	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Clyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waldrup, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00
9	State of New Mexico	Sec. 21: S/2	320.00	VA-2369	2/1/2006	1/8	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycro Industries, Inc.	70.00 10.00 10.00 10.00
10	State of New Mexico	Sec. 28: S/2	320.00	VA-2370	2/1/2006	1/8	Reliance Energy, Inc.	100.00	Gary D. McKinney Clyde C. Wheeler Les Honeyman Michael J. Canon W. Clayton Gaston Jack L. Waldrup, Jr.	1.00000 1.00000 1.00000 0.20000 0.13333 1.00000	Reliance Energy, Inc.	100.00

Printed 10/12/2005

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Exhibit B
DeHavilland State Unit
Chaves County, New Mexico

Tract No.	Lessor	Description of Land	No. of Acres	Lease Serial No.	Lease Expiration Date	Royalty	Lessee of Record / Original Lessee	%	Overriding Royalty and Percentage	%	Working Interest Owner and Percentage	%
17	State of New Mexico	Sec. 18: Lots 3-4 (W/2SW), E/2SW, NE, PM	319.96	VA-2472	6/1/2006	1/8	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation	70.00
							Yates Drilling Company	10.00			Yates Drilling Company	10.00
							Abco Petroleum Corporation	10.00			Abco Petroleum Corporation	10.00
							Myco Industries, Inc.	10.00			Myco Industries, Inc.	10.00
18	State of New Mexico	Sec. 6: Lots 1-2 (N/2NE), S/2NE, SE	320.05	VA-2479	6/1/2006	1/8	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation	70.00
							Yates Drilling Company	10.00			Yates Drilling Company	10.00
							Abco Petroleum Corporation	10.00			Abco Petroleum Corporation	10.00
							Myco Industries, Inc.	10.00			Myco Industries, Inc.	10.00
19	State of New Mexico	Sec. 7: Lots 1-2 (W/2NW), E/2SW, SE	319.96	VA-2480	6/1/2006	1/8	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation	70.00
							Yates Drilling Company	10.00			Yates Drilling Company	10.00
							Abco Petroleum Corporation	10.00			Abco Petroleum Corporation	10.00
							Myco Industries, Inc.	10.00			Myco Industries, Inc.	10.00
20	State of New Mexico	Sec. 18: Lots 1-2 (W/2NW), E/2NW, NE	319.88	VA-2481	6/1/2006	1/8	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation	70.00
							Yates Drilling Company	10.00			Yates Drilling Company	10.00
							Abco Petroleum Corporation	10.00			Abco Petroleum Corporation	10.00
							Myco Industries, Inc.	10.00			Myco Industries, Inc.	10.00
21	State of New Mexico	Sec. 18: E/2	320.00	VO-7169	10/1/2009	1/6	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation	70.00
							Yates Drilling Company	10.00			Yates Drilling Company	10.00
							Abco Petroleum Corporation	10.00			Abco Petroleum Corporation	10.00
							Myco Industries, Inc.	10.00			Myco Industries, Inc.	10.00
22	State of New Mexico	Sec. 18: W/2	320.00	VO-7177	10/1/2009	1/6	Yates Petroleum Corporation	100.00			Yates Petroleum Corporation	70.00
							Yates Drilling Company	10.00			Yates Drilling Company	10.00
							Abco Petroleum Corporation	10.00			Abco Petroleum Corporation	10.00
							Myco Industries, Inc.	10.00			Myco Industries, Inc.	10.00
Total State Tracts			7038.69									
Total Unit Area			7038.69									



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

October 27, 2005

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

Attention: Mr. Chuck Moran

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

Dear Mr. Moran:

Thank you for providing the unexecuted copy of the unit agreement, for the proposed DeHavilland 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 upon a two (2) well drilling commitment within the unit boundaries.

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 OCT 31 PM 3:21

-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 •

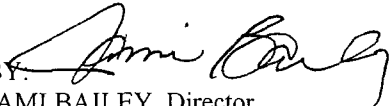
Yates Petroleum Corporation
October 27, 2005
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4. Order of the New Mexico Oil Conservation Division (OCD). Our approval will be conditioned upon subsequent favorable approval by the OCD.
5. Please submit two copies of the Unit Agreement.
6. A copy of 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 in the amount of \$330 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

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson
William F. Carr