



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

September 7, 2005

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed Van Dyke State Exploratory Unit
Lea County, New Mexico

RECEIVED
SEP - 9 2005
OIL CONSERVATION
DIVISION

Dear Mr. Bullock:

Thank you for providing the unexecuted copy of the unit agreement for the proposed Van Dyke State Exploratory Unit area, Lea 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.

-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

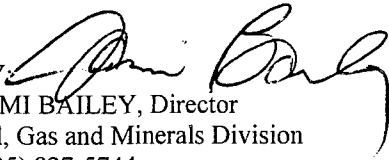
Yates Petroleum Corporation
September 7, 2005
Page 2

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. Your filing fee in the amount of \$510 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



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September 28, 2005

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

Attn: Mr. Robert Bullock

Re: Final Approval
Van Dyke State Exploratory Unit
Lea County, New Mexico

RECEIVED
OCT 3 2005
OIL CONSERVATION
DIVISION

Dear Mr. Bullock:

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

It is our understanding that Tract Nos. 30 and 31 are not committed to the unit agreement at this time.

The Commissioner of Public Lands has this date granted final approval to the Van Dyke State Exploratory Unit Agreement effective September 28, 2005.

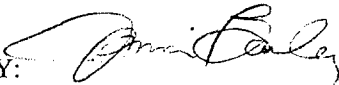
Enclosed are five (5) Certificates of Approval.

Your \$510.00 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,
QCD-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 Salina Land • Water Reservoirs • Western New Mexico University

UNIT NAME: VAN DYKE STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	INDIAN	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE			FEE	CLAUSE	
EFFECTIVE		9880.53	9880.53	0	0	STRICT	5 YEARS
09/28/2005							SO LONG AS

APPROVALS

SLO--09-28-2005
OCD--09-26-2005 CASE NO. 13536
ORDER NO. R-12426

TOWNSHIP 10 SOUTH, RANGE 33 EAST

SECTION 11: ALL
SECTION 14: ALL
SECTION 15: ALL
SECTION 16: ALL
SECTION 17: ALL
SECTION 19: LOTS 3, 4, SE/4, E/2SW/4
SECTION 20: ALL
SECTION 21: ALL
SECTION 22: E/2, SW/4, N/2NW/4, SW/4NW/4
SECTION 23: ALL
SECTION 26: ALL
SECTION 27: ALL
SECTION 28: ALL
SECTION 29: ALL
SECTION 30: E/2
SECTION 34: N/2
SECTION 35: ALL

EXHIBIT B

Van Dyke State Exploratory Unit

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1	T10S, R33E Sec. 11: W2 Lea County, NM	320.00	VO-5964 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
2	T10S, R33E Sec. 11: E2 Lea County, NM	320.00	VO-5980 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
3	T10S, R33E Sec. 14: W2 Lea County, NM	320.00	VO-5965 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
4	T10S, R33E Sec. 14: E2 Lea County, NM	320.00	VO-5981 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
5	T10S, R33E Sec. 15: S2 Lea County, NM	320.00	VO-5966 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
6	T10S, R33E Sec. 15: N2 Lea County, NM	320.00	VO-5982 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
7	T10S, R33E Sec. 16: N2 Lea County, NM	320.00	VO-5983 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
8	T10S, R33E Sec. 16: S2 Lea County, NM	320.00	VO-5984 10/1/2005	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co

EXHIBIT B

Van Dyke State Exploratory Unit

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND		LESSOR & ROYALTY		LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST
			EXPIRATION DATE							
9	T10S, R33E Sec. 17: W2 Lea County, NM	320.00	VO-6076 1/1/2006		State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
10	T10S, R33E Sec. 17: E2 Lea County, NM	320.00	VO-6088 1/1/2006		State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
11	T10S, R33E Sec. 19: Lots 3, 4 Lea County, NM	80.53	VA-2335 1/1/2006		State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
12	T10S, R33E Sec. 19: E2SW4, SE4 Lea County, NM	240.00	VA-2336 1/1/2006		State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
13	T10S, R33E Sec. 20: W2 Lea County, NM	320.00	VO-6077 1/1/2006		State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
14	T10S, R33E Sec. 20: E2 Lea County, NM	320.00	VO-6089 1/1/2006		State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
15	T10S, R33E Sec. 23: SWNE, SENW, NESW, NWSE Lea County, NM	160.00	VO-6078 1/1/2006		State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	
16	T10S, R33E Sec. 23: NWNE, N2NW, W2SW, SESW, NESE, S2SE Lea County, NM	360.00	VO-6090 1/1/2006		State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co	70.00% 10.00% 10.00% 10.00%	

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Van Dyke State Exploratory Unit

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
17	T10S, R33E Sec. 21: E2, E2NW, SW Lea County, NM	560.00	VO-6120 2/1/2006	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
18	T10S, R33E Sec. 26: W2 Lea County, NM	320.00	VO-6104 2/1/2006	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
19	T10S, R33E Sec. 26: E2 Lea County, NM	320.00	VO-6122 2/1/2006	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
20	T10S, R33E Sec. 27: N2 Lea County, NM	320.00	VO-6105 2/1/2006	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
21	T10S, R33E Sec. 27: S2 Lea County, NM	320.00	VO-6123 2/1/2006	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
22	T10S, R33E Sec. 28: E2, NW4 Lea County, NM	480.00	VO-6124 2/1/2006	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
23	T10S, R33E Sec. 29: S2 Lea County, NM	320.00	VA-2383 3/1/2006	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
24	T10S, R33E Sec. 29: N2 Lea County, NM	320.00	VA-2402 3/1/2006	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co

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TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
25	T10S, R33E Sec. 30: E2 Lea County, NM	320.00	VA-2403 3/1/2006	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
26	T10S, R33E Sec. 34: N2 Lea County, NM	320.00	VA-2404 3/1/2006	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
27	T10S, R33E Sec. 35: N2 Lea County, NM	320.00	VA-2405 3/1/2006	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
28	T10S, R33E Sec. 35: S2 Lea County, NM	320.00	VA-2386 3/1/2006	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
29	T10S, R33E Sec. 22: NE4 Lea County, NM	160.00	VO-7563 9/1/2010	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Oil Ltd. Co
30	T10S, R33E Sec. 21: W2NW4 Sec. 23: E2NE4 Sec. 28: S2SW4 Lea County, NM	240.00	B-9380-5 HBP	State of New Mexico 1/8	Chevron USA Inc.	None	Chevron Texaco Corporation
31	T10S, R33E Sec. 22: N2NW4, SW4NW4 SW4, SE4 Sec. 23: SW4NW4 Sec. 28: N2SW4 Lea County, NM	560.00	K-3983 HBP	State of New Mexico 1/8	Donald B. Anderson Ltd.	None	Donald B. Anderson Ltd.
Total Unit Lands		9880.53					
Total State Lands		100.00%					