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APR 09 2007

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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Oil Conservation Division
1220 S. St. Francis Drive
COMMISSIONER'S OFFICE
Santa Fe, NM 87505
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

April 5, 2007

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

Case 13922

Attention: Ms. Janet Richardson

Re: Preliminary Approval
Proposed Recif Unit
Eddy County, New Mexico

Dear Ms. Richardson:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Recif Unit area, Eddy 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.

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.

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. Pursuant to Rule 19.2.100.51, applications for approval shall contain a statement of facts 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.

-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 •

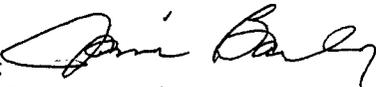
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3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation from the Bureau of Land Management.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. Please submit two copies of the Unit Agreement.
7. A copy of the Unit Operating Agreement (if applicable).
8. Copies of all the well records for the initial unit well.
9. The filing fee for a unit agreement is thirty dollars for every section or partial section thereof. Please submit a \$240 filing fee.

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
PL/JB/pm

cc: OCD-Santa Fe, Attention: Mr. David Catanach
BLM Roswell, Attn: Mr. John Simitz