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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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RECEIVED OCT 02 2006

September 29, 2006

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88202-1933

Attn: Mr. Vernon D. Dyer

Re: Preliminary Approval
Proposed Expansion of Bennett Ranch Unit Boundaries
Otero County, New Mexico

Dear Mr. Dyer:

Your letters of May 4, 2006 and August 1, 2006 together with revised exhibits "A" and "B" requesting our approval to expand the boundaries of the Bennett Ranch Unit area have been received. The Commissioner of Public Lands hereby grants you preliminary approval to expand the Bennett Ranch Unit boundaries to include an additional 2,780.19 acres of Federal and State lands.

Preliminary approval is given with the understanding there will be no unleased acreage within the boundaries of the proposed expanded 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 expanded unit 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.
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. Amended Order of the New Mexico Oil Conservation Division (OCD) Case No. 11394, Order No. R-10527. Our approval will be conditioned upon subsequent favorable approval by the OCD and the Bureau of Land Management (BLM).
5. A copy of the BLM's approval to expand the Bennett Ranch Unit boundaries.
6. Please submit two copies of revised Exhibits "A" and "B" to the Unit Agreement.
7. A current plan of development.

6.4

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

1

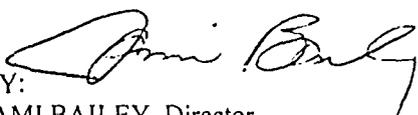
8. The filing fee for an expansion is \$30.00 for every section or partial section thereof. The 11 section unit boundary expansion requires a \$330.00 filing fee.

Thank you for providing this office with copies of the BLM's decision letters of April 16, 2001 and May 31, 2005 which suspends the operations within the Bennett Ranch Unit area.

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. David Catanach
BLM-Roswell, Attention Mr. John Simitz