

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY,
MINERALS AND NATURAL
RESOURCES
OIL CONSERVATION DIVISION**

Case No. 13922

EXHIBIT

1

5. The application of Yates for approval of the Recif Unit was submitted by an affidavit pursuant to the alternative procedure authorized by Oil Conservation Division Rule 19.15.4.12.A(1)(b).

6. The affidavit filed by Yates incorrectly identified the unitized interval in the Recif Unit as being from the surface to the to the base of the Canyon (Upper Pennsylvanian) formation and Order No. R-12765 also limited to the unitized interval to these horizons.

7. Subsequent to the entry of Order No. R-12765, the State Land Office and the BLM granted final approval to the Unit Agreement. Copies of these final approvals are attached hereto as Exhibits A and B.

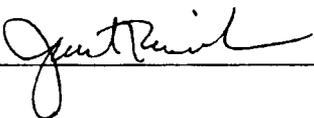
8. In 2008, Yates drilled and completed its Recif Unit Well No. 1 at a location 660 feet from the North line and 1980 feet from the East line of Section 7, Township 23 South, Range 23 East, N.M.P.M., Eddy County, New Mexico as a wildcat producing well in the Morrow formation.

9. The BLM has advised Yates of the discrepancy between the Unit Agreement and the Oil Conservation Division order and asked Yates to correct this error in Order No. R-12765.

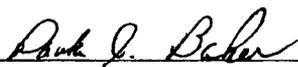
10. Yates requests that Oil Conservation Division Order No. R-12765 be amended to correctly identify the unitized interval in the Recif Unit as including all formations from the surface of the land to the basement and that this amendment be effective retroactive to July 1, 2008, the effective date of the Recif Unit.

11. Approval of this application will be in the best interest of conservation the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.



SUBSCRIBED AND SWORN before me on this 29th day of May, 2009.



Notary Public

My Commission Expires:

8-22-09



OFFICIAL SEAL
Paul J. Baker
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09



RECEIVED
JUL 13 2007
MAIL ROOM

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

July 10, 2007

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

Attn: Mr. Janet Richardson

Re: Final Approval
Recif Unit
Eddy County, New Mexico

Dear Ms. Richardson:

This office is in receipt of your letter of July 2, 2007, requesting final approval for the Recif Unit Agreement, Eddy County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Recif Unit Agreement, Eddy County, New Mexico. Our approval is subject to like approval by the Bureau of Land Management and the New Mexico Oil Conservation Division.

It is our understanding that Tract Nos. 5 and 7 are not committed to the unit agreement at this time.

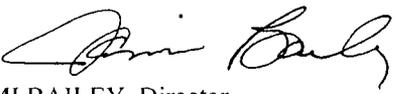
Enclosed are (5) Certificates of Approval.

Your \$240.00 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, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File,
OCD-Santa Fe, Attn: Mr. David Catanach
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Mr. Kurt McFall
BLM-Attn: Mr. John Simitz

EXHIBIT A

-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

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

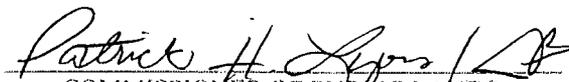
YATES PETROLEUM CORPORATION
RECIF UNIT
EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Unit Agreement for the development and operation of acreage which is described within the referenced Agreement, dated JUNE 1, 2007 which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the 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 area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 10TH day of JULY, 2007.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

RECEIVED
JUL 02 2007
MAIL ROOM

IN REPLY REFER
NMNM117909X
3180 NM (513)

Yates Petroleum Corporation
Attention: Ms Janet Richardson
105 South Fourth Street
Artesia, NM 88210-2118

JUN 29 2007

Re: Recif Unit
Eddy County, New Mexico
Final Approval of Unit Agreement

Dear Ms Richardson,

One approved copy of the Recif Unit Agreement, No. NMNM117909X, Eddy County, New Mexico, is enclosed. Such agreement is effective as of the date of approval.

The depth of the test well and the area to be unitized were approved by letter dated March 14, 2007. All formations are unitized.

Pursuant to 43 CFR 3183.4(b) and Section 9: Drilling to Discovery, of the unit agreement, if the Public Interest Requirement is not fulfilled, the unit will be declared invalid and no lease committed to this agreement shall receive the benefits of 43 CFR 3107.3-2 and 3107.4.

Approval of the agreement does not warrant or certify that the operator thereof and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Copies of the approved agreement are being distributed to the appropriate Federal offices. You are requested to furnish all interested principals with appropriate evidence of this approval.

If you have any questions, please contact Alexis C. Swoboda, P.E. at 505-627-0228.

Sincerely,


John S. Simitz
Acting Assistant Field Manager,
Lands and Minerals

Enclosures

EXHIBIT B

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. sec 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

A. Approve the attached agreement for the development and operation of the Recif Unit Area, Eddy County, State of New Mexico. This approval shall be invalid *ab initio* if the public interest requirement under paragraph 3183.4(b) of this title is not met.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of all Federal leases committed to said Agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of this agreement.

Dated: June 28, 2007

ORIG. SGL. JOHN S. SMITZ

Authorized Officer
Bureau of Land Management

Contract No.: NMNM117909X