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June 9, 1987

State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504

Attention: Mr. Floyd O. Prando

Re: Case 9135 NMOCD Order R-8449
Proposed Panther Hill Unit
Chaves County, New Mexico

Dear Mr. Prando:

Application is hereby made for final approval of the captioned unit. Enclosed for this purpose are two originals of the Unit Agreement and Unit Operating Agreement, with ratifications attached. 74.5372% of the unit is committed by Tracts 2,3,4,5,6,7,8,9; 1.5001% is partially committed by Tracts 10, 11; and 23.9627% is not committed by Tracts 1,12,13,14,15,16,17,18,19,20, 21,22,23.

The Hearing before the New Mexico Oil Conservation Division was held in case number 9135 on May 20, 1987. A copy of the Unit Agreement and Unit Operating Agreement is enclosed by copy of this letter to that office, and to the Bureau of Land Management in Roswell. The Bureau of Land Management has advised that in view of the small amount of federal acreage involved, it will abide by the decision of your office regarding approval of this unit.

Yates Petroleum Corporation desires to immediately receive final approval on the captioned unit and then immediately spud the Panther Hill Unit #1.

Therefore, we have enclosed certain revised pages which reflect the amendments that were made since you received the rough draft of our Unit Agreement and Operating Agreement. These changes are referenced below:

1. Unit Agreement, Page 2. The unit size was reduced 40 acres by the Commissioner of Public Lands, located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 24, Township 8 South, Range 23 East. The gross acres in the unit boundary is now 10,666.23 acres.
2. Unit Agreement, Page 3, Paragraph #4. The words "Yates Petroleum Corporation" were added to indicate the said corporation as Unit Operator.

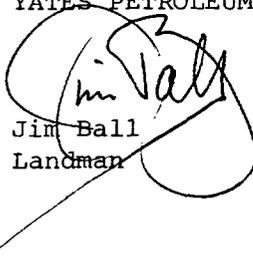
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3. Operating Agreement, Page 14, Article XV-A. Certain wording referencing, Article XV-H, was removed because it did not apply to this particular operating agreement since it contains no Article XV-H.
4. Operating Agreement, Exhibit "A". Removed Koch Industries, Inc. entirely from the Exhibit "A" and acknowledged Mr. Keith Ranum as the notifying party for DEPCO, Inc.
5. Operating Agreement, Exhibit C, Page 4, Paragraph IV 2.A (1). Additional wording was added.
6. Unit Agreement, Exhibit "A". The plat was revised to show the said 40 acre tract was removed from unit area and certain tract numbers were revised by one lesser number.
7. Unit Agreement and Operating Agreement Exhibits "B", Pages 5, 6, and 7, Tract #14 (the 40 acre unleased state tract) was removed by the Commissioner of Public Lands. All subsequent tract numbers were reduced by one number. Recapitulations were also adjusted to reflect the 40 acre reduction in the unit area.

Please advise if you need anything further in this regard. Again, we anticipate your earliest approval of this unit.

Very truly yours,

YATES PETROLEUM CORPORATION



Jim Ball
Landman

JB/bp

Enclosures

cc: Chad Dickerson of Dickerson, Fisk & Vandiver
Attorneys at Law
Bureau of Land Management of Roswell
New Mexico Oil Conservation Division