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P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

Michael H. Feldewert
mfeldewert@hollandhart.com
New Mexico Board of Legal Specialization
Recognized Specialist in the Area of
Natural Resources - oil and gas law
44519-0072

June 20, 2003

RECEIVED

JUN 20 2003

Oil Conservation Division

VIA HAND DELIVERY

Will Jones, Hearing Examiner
New Mexico Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
1220 So. St. Francis Drive
Santa Fe, NM 87505

Re: Preliminary Approval
Proposed Humidor State Exploratory Unit
Eddy County, New Mexico

Dear Mr. Jones:

Enclosed please find a copy of the State Land Office's Preliminary Approval letter concerning the above referenced matter. As I discussed at the hearing with you yesterday, this letter comprises Exhibit D to Yates' Hearing Exhibit No. 1 (the affidavit of Raymond W. Podany).

Thank you for your attention to this matter.

Sincerely,



Michael H. Feldewert

MHF/jlp

Enclosure

3098733_1.DOC



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

June 20, 2003

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

Attention: Mr. Chuck Moran

Re: Preliminary Approval
Proposed Humidor State Exploratory Unit
Eddy County, New Mexico

Dear Mr. Moran:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Humidor State Exploratory 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.

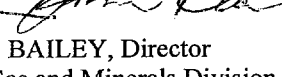
Patricia A. Lyons
Commissioner of Public Lands

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. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
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.
8. The filing fee for a unit agreement is \$30 for every section or partial section thereof. Please submit a \$150.00 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
(505) 827-5744

PL/JB/pm

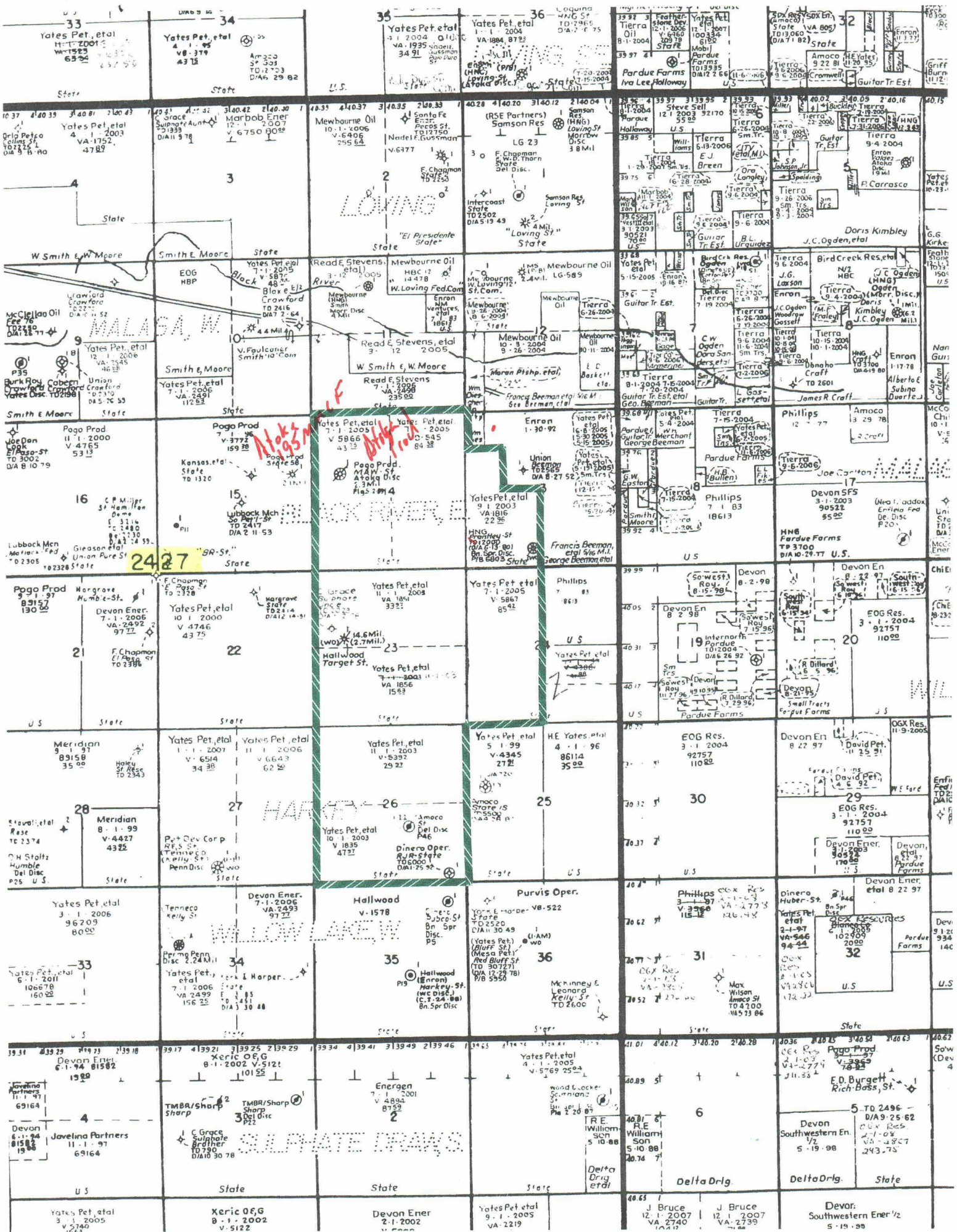
cc: OCD-Santa Fe, Attention: Mr. Roy Johnson
William F. Carr

Stogner, Michael

From: Stogner, Michael
Sent: Wednesday, June 11, 2003 4:04 PM
To: Jones, William V
Cc: Brooks, David K; William F. Carr (E-mail); Albers, Jeff; Martinez, Pete; Wrotenbery, Lori
Subject: Case No. 13091

Wil,

I just returned from a meeting at the SLO with William F. Carr, Jeff Albers, Pete Martinez, Chuck Moran, and Ray Podany to discuss the up-coming Humidor State Exploratory Unit area comprising 2,440.00 acres in Sections 13, 14, 23, 24, and 26-T24S-R27E, Case No. 13091. From the information provided, the SLO will review it more thoroughly and a preliminary approval will probably be issued. The reason I attended was to investigate possible procedural changes where the OCD handles these cases as "in the absence of objection" matters. This Unit is relative simple with 100% State Lands and 100% Yates working interest. Mr. Carr will attend the hearing on Thursday, June 19, 2003 without witnesses and submit Yates's exhibits by affidavit.



LOVING STATE

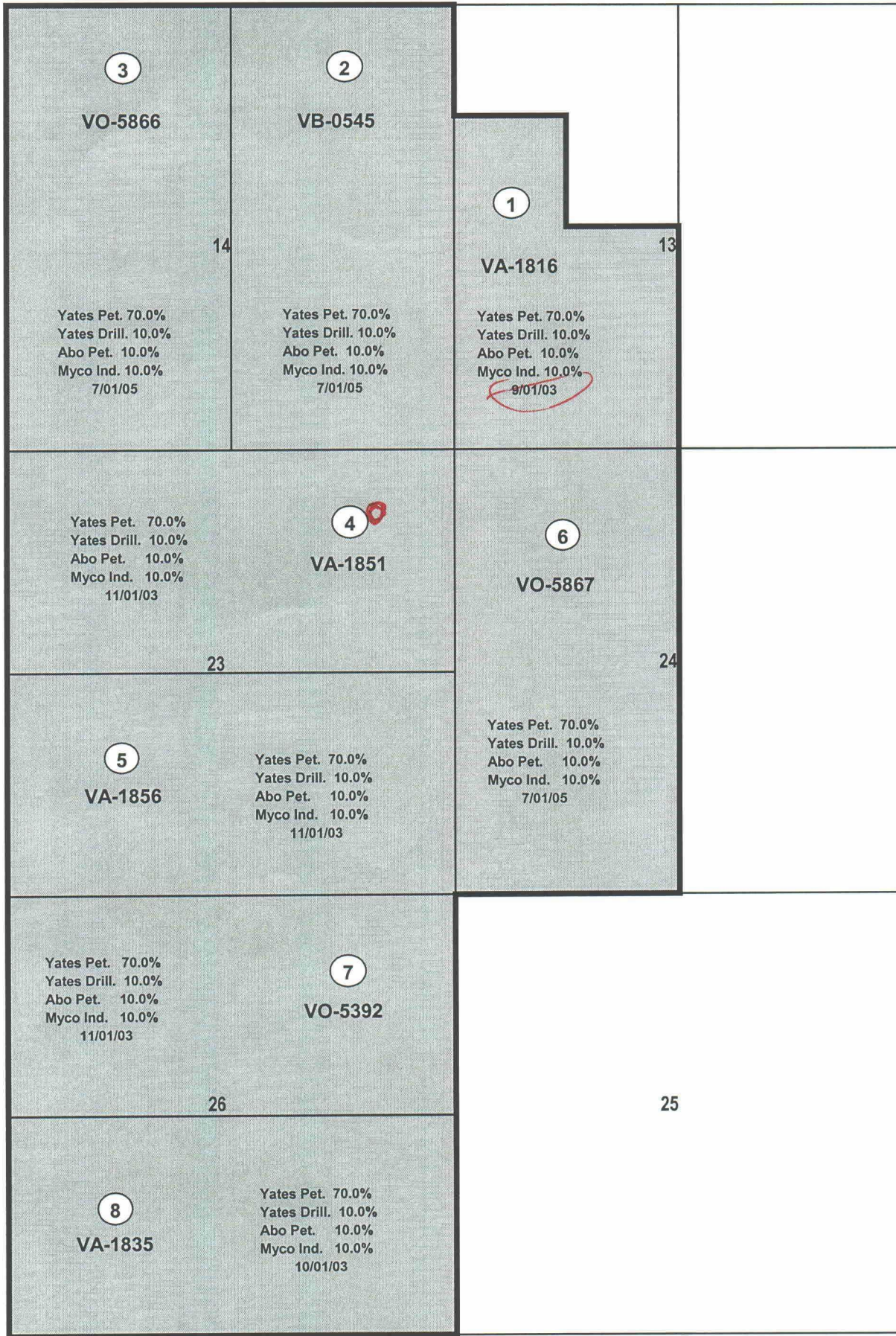
MALAGA R.

HARPER CREEK

WILLOW LAKE

Aloks 9/25/04

33 Yates Pet, etal H-1-2001 VA-1935 65.94	34 Yates Pet, etal 4-1-99 VA-379 43.75	35 Yates Pet, etal 3-1-2002 VA-1935 34.91	36 Yates Pet, etal 1-1-2004 VA-1884 87.23	37 Tierra 8-1-2004 VA-2004 39.97	38 Parade Farms Iva Lee Holloway 12-1-2006 VA-2006 101.93	39 Steve Sell 12-1-2003 VA-2003 55.80	40 Tierra 6-26-2006 VA-2006 101.93	41 Tierra 9-6-2004 VA-2004 101.93	42 Tierra 9-6-2004 VA-2004 101.93	43 Tierra 9-6-2004 VA-2004 101.93	44 Tierra 9-6-2004 VA-2004 101.93	45 Tierra 9-6-2004 VA-2004 101.93	46 Tierra 9-6-2004 VA-2004 101.93	47 Tierra 9-6-2004 VA-2004 101.93	48 Tierra 9-6-2004 VA-2004 101.93	49 Tierra 9-6-2004 VA-2004 101.93	50 Tierra 9-6-2004 VA-2004 101.93	51 Tierra 9-6-2004 VA-2004 101.93	52 Tierra 9-6-2004 VA-2004 101.93	53 Tierra 9-6-2004 VA-2004 101.93	54 Tierra 9-6-2004 VA-2004 101.93	55 Tierra 9-6-2004 VA-2004 101.93	56 Tierra 9-6-2004 VA-2004 101.93	57 Tierra 9-6-2004 VA-2004 101.93	58 Tierra 9-6-2004 VA-2004 101.93	59 Tierra 9-6-2004 VA-2004 101.93	60 Tierra 9-6-2004 VA-2004 101.93	61 Tierra 9-6-2004 VA-2004 101.93	62 Tierra 9-6-2004 VA-2004 101.93	63 Tierra 9-6-2004 VA-2004 101.93	64 Tierra 9-6-2004 VA-2004 101.93	65 Tierra 9-6-2004 VA-2004 101.93	66 Tierra 9-6-2004 VA-2004 101.93	67 Tierra 9-6-2004 VA-2004 101.93	68 Tierra 9-6-2004 VA-2004 101.93	69 Tierra 9-6-2004 VA-2004 101.93	70 Tierra 9-6-2004 VA-2004 101.93	71 Tierra 9-6-2004 VA-2004 101.93	72 Tierra 9-6-2004 VA-2004 101.93	73 Tierra 9-6-2004 VA-2004 101.93	74 Tierra 9-6-2004 VA-2004 101.93	75 Tierra 9-6-2004 VA-2004 101.93	76 Tierra 9-6-2004 VA-2004 101.93	77 Tierra 9-6-2004 VA-2004 101.93	78 Tierra 9-6-2004 VA-2004 101.93	79 Tierra 9-6-2004 VA-2004 101.93	80 Tierra 9-6-2004 VA-2004 101.93	81 Tierra 9-6-2004 VA-2004 101.93	82 Tierra 9-6-2004 VA-2004 101.93	83 Tierra 9-6-2004 VA-2004 101.93	84 Tierra 9-6-2004 VA-2004 101.93	85 Tierra 9-6-2004 VA-2004 101.93	86 Tierra 9-6-2004 VA-2004 101.93	87 Tierra 9-6-2004 VA-2004 101.93	88 Tierra 9-6-2004 VA-2004 101.93	89 Tierra 9-6-2004 VA-2004 101.93	90 Tierra 9-6-2004 VA-2004 101.93	91 Tierra 9-6-2004 VA-2004 101.93	92 Tierra 9-6-2004 VA-2004 101.93	93 Tierra 9-6-2004 VA-2004 101.93	94 Tierra 9-6-2004 VA-2004 101.93	95 Tierra 9-6-2004 VA-2004 101.93	96 Tierra 9-6-2004 VA-2004 101.93	97 Tierra 9-6-2004 VA-2004 101.93	98 Tierra 9-6-2004 VA-2004 101.93	99 Tierra 9-6-2004 VA-2004 101.93	100 Tierra 9-6-2004 VA-2004 101.93
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EXHIBIT "A"

Yates Petroleum Corporation

Humidor State Unit Area

Eddy County, New Mexico

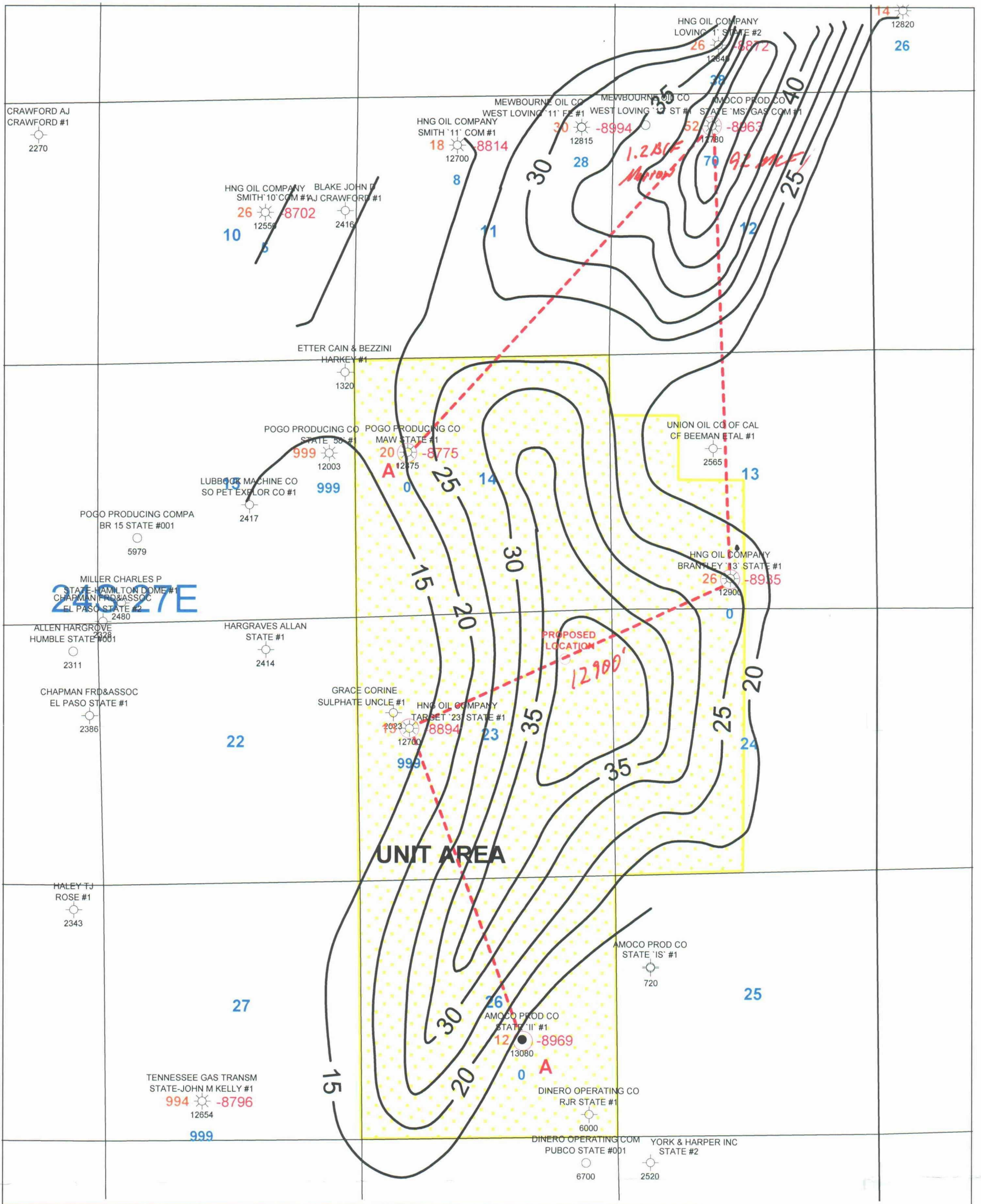
① Indicates Tract No. on Exhibit B

 State Land

 Indicates Unit Area

Scale 3 inches = 1 mile

VA = 1/8 royalty
VO = 1/6 "
VB = 3/16 "



YATES PETROLEUM CORPORATION		
NET SAND ISOPACH HUMIDOR STATE UNIT EDDY COUNTY, NM 24S 27E C1 = 5'		
Author: RAY PODANY	Date: 2 June, 2003	HearNetSd MMXX2427.gmp
Scale: 1:2,000		

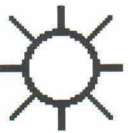
A

1



30015235990000
POGO PRODUC
06-27-1981
MAW STATE 1
024.0S 027.0E 01

2



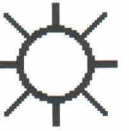
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AMOCO PROD CO
10-12-1982
STATE MS GAS COM 1
024.0S 027.0E 012

3



30015230220000
HNG OIL COM
11-12-1979
BRANTLEY '13'
024.0S 027.0E 01

4



30015250870000
HNG OIL COMPANY
01-09-1985
TARGET '23' STATE 1
024.0S 027.0E 023

5



30015232210000
AMOCO PROD CO
07-15-1980
STATE 'II' 1
024.0S 027.0E 026

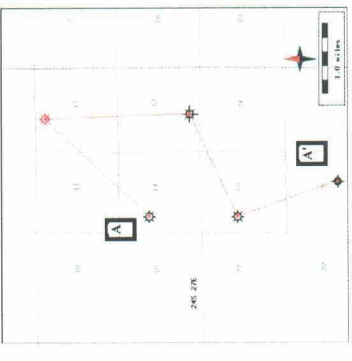
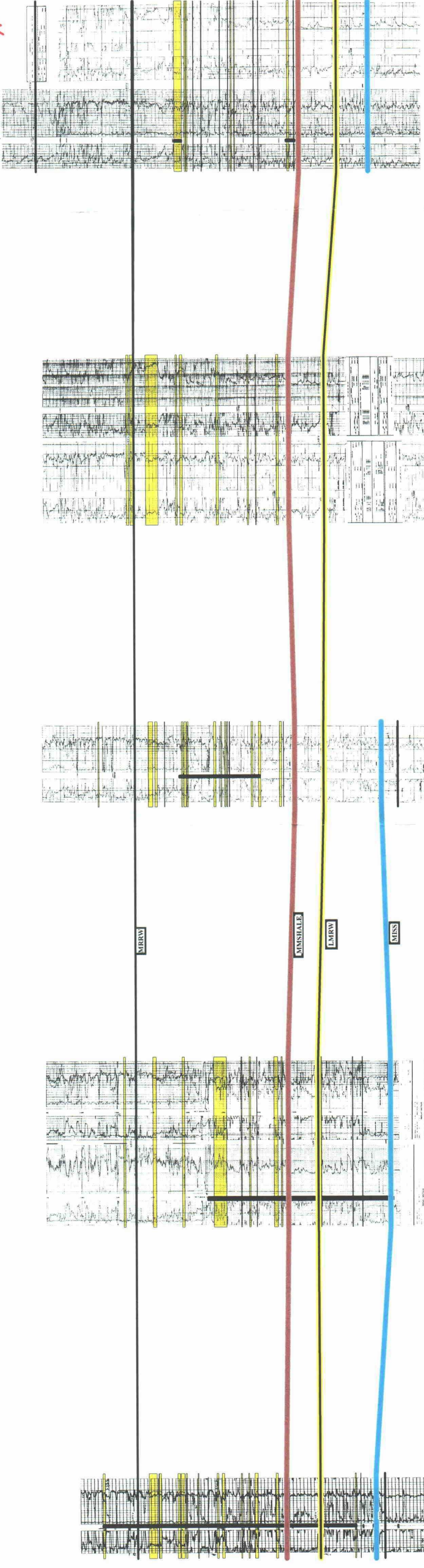
Delaware
5000 ft.
Alford Probe

1.7mi

1.8mi

1.4mi

1.3mi



HUMIDOR STATE UNIT
STRATIGRAPHIC CROSS-SECTION
DATUM TOP MRRW
EDDY COUNTY, NM
24S27E

Author:
Ray Podany

Date:
2 June, 2003

Exhibit B
Humidor State Unit Area
Eddy County, New Mexico

Tract No.	Description of Land	No. of Acres	Serial No. and expiration date of lease	Basic royalty and ownership percentage	Lessee of Record	Overriding royalty and percentage	Working interest and percentage	
1	Township 24 South, Range 27 East, NMPM Section 13: SW/4NW/4, SW/4	200.00	VA-1816 / 09/01/03	State of NM: 12.50%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
2	Township 24 South, Range 27 East, NMPM Section 14: E/2	320.00	VB-0545 / 07/01/05	State of NM: 18.75%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
3	Township 24 South, Range 27 East, NMPM Section 14: W/2	320.00	VO-5866 / 07/01/05	State of NM: 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
4	Township 24 South, Range 27 East, NMPM Section 23: N/2	320.00	VA-1851 / 11/01/03	State of NM: 12.50%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
5	Township 24 South, Range 27 East, NMPM Section 23: S/2	320.00	VA-1856 / 11/01/03	State of NM: 12.50%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
6	Township 24 South, Range 27 East, NMPM Section 24: W/2	320.00	VO-5867 / 07/01/05	State of NM: 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
7	Township 24 South, Range 27 East, NMPM Section 26: N/2	320.00	VO-5392 / 11/01/03	State of NM: 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
8	Township 24 South, Range 27 East, NMPM Section 26: S/2	320.00	VA-1835 / 10/01/03	State of NM: 12.50%	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
TOTAL	8 Tracts - State 2440.00 acres or 100.00%							