



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 10, 2006
Bureau of Land Management
620 East Green St.
Carlsbad, NM 88220
Attn: Mr. Craig Cranston or To Whom It May Concern

30-015-35089

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: Yates Petroleum Corporation
LEASE NAME: LUCY 'ALC' State # 8
LOCATION: SEC. 34, TOWNSHIP 21 SOUTH, RANGE 31 EAST
990' FSL & 990' FEL
EDDY COUNTY, NM, NMPPM

PROPOSED DEPTH: 8250'

Dear Craig or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of-Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant
PES, District II Artesia NMOCD

In LMR	Yes _____	No _____
In Buffer Zone	Yes _____	No _____

Comments:

Signature: _____ **Date:** _____



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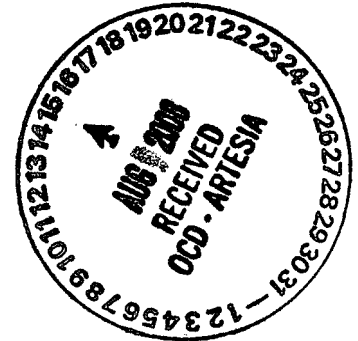
Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 10, 2006
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87504-1148
Attn: Mr. Joe Mraz or To Whom It May Concern



RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: Yates Petroleum Corporation
LEASE NAME: LUCY 'ALC' State # 8
LOCATION: SEC. 34, TOWNSHIP 21 SOUTH, RANGE 31 EAST
990' FSL & 990' FEL
EDDY COUNTY, NM, NMPM

PROPOSED DEPTH: 8250'

Dear Joe or To Whom It May Concern,

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuit to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether or not this application is within an established Life-of Mine Reserve area filed with and approved by your office. If not, please advise whether it is within the buffer zone established by this order.

Thank you for your assistance.

Sincerely,

Bryan G. Arrant
PES, District II Artesia NMOCD

In LMR	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
In Buffer Zone	Yes <input type="checkbox"/>	No <input type="checkbox"/>

John
6:45 PM
8-11-06

Comments:

Signature: *John Arrant*

Date: 8/11/06

AGREEMENT

This Agreement is entered into effective June 16, 2000 by Mississippi Potash, Inc. ("MPI"), whose address is P.O. Box 101, Carlsbad, New Mexico 88221, Pogo Producing Company ("Pogo"), whose address is P.O. Box 10340, Midland, Texas 79702, and Yates Petroleum Corporation ("Yates"), whose address is 105 South Fourth Street, Artesia, New Mexico 88210.

WHEREAS:

1. MPI is the lessee of State of New Mexico Potash Mining Lease M-4510, dated May 2, 1988, which covers, among other lands, the NE¼, N¼SE¼, and SE¼SE¼ of Section 34 and All of Section 35, and State of New Mexico Potash Mining Lease MP-29 covering the W¼ of said Section 34, all in Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico;
2. Pogo is a lessee and the operator of State of New Mexico Oil and Gas Lease V-3604, covering All of Section 35, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico ("Section 35");
3. Yates is a lessee and the operator of State of New Mexico Oil and Gas Leases V-3850 and V-4100, collectively covering all of Section 34 (except the SW¼SE¼), Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico ("Section 34");
4. Sections 34 and 35 are within the oil-potash area of southeast New Mexico as defined in New Mexico Oil Conservation Division ("OCD") Order No. R-111-P;
5. Pogo has filed with the OCD Applications for Permits to Drill ("APD") sixteen oil wells in Section 35, which MPI has objected to by letters dated in March 1998;
6. Pogo has applied to the OCD in Case No. 12406 for approval of four of the APD's described in paragraph 5 above, and that case is scheduled for hearing at 8:15 a.m. on June 19, 2000 at the OCD's offices in Santa Fe, New Mexico; and
7. MPI, Pogo, and Yates desire to settle their differences with respect to potash operations and oil development in Sections 34 and 35. MPI shall have the right to a corridor for mining, or drifts or tunnels, through Sections 34 and 35, and Pogo and Yates shall be allowed to drill oil wells in Sections 34 and 35.

NOW, THEREFORE, IT IS AGREED THAT:

- A. MPI shall have a 1320 foot wide corridor through Sections 34 and 35, as platted on Exhibit A and described by legal subdivisions on Exhibit B;

B. Yates shall be allowed to drill oil wells in Section 34 and Pogo shall be allowed to drill oil wells in Section 35 at locations in their discretion so long as the wellbores are not within the corridor described in paragraph A above, and in Exhibits A and B, and Yates and Pogo agree not to file applications for permit to drill oil wells at locations within the corridor;

C. MPI hereby waives objection to any oil wells located in Sections 34 and 35 on oil and gas leases now owned by Yates or Pogo which comply with paragraph B above. For purposes of this Agreement, "oil well" shall mean a well drilled to a depth no deeper than 200 feet below the base of the Delaware formation. This waiver of objection by MPI shall satisfy any requirements set forth in Order No. R-111-P, and well operators shall not be required to obtain further waivers of objection from MPI with respect to oil wells in Sections 34 and 35, so long as the well locations comply with paragraph B above. In the event that the OCD requires a separate waiver for any specific location that complies with paragraph B above, MPI shall execute any such waiver consistent with the terms of this Agreement;


D. The prohibition of well locations described in paragraphs A and B above does not apply to well pads, surface facilities, gathering lines, pipelines and other facilities and equipment (except the well) that are on or near the surface;

E. Upon execution of this Agreement by all parties, Pogo shall dismiss OCD Case No. 12406;

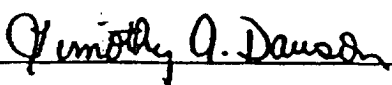
F. This Agreement is executed by the duly authorized representatives of MPI, Pogo, and Yates, and is binding on their respective successors and assigns.

G. This Agreement is being executed in three multiple counterparts so each party may retain an original executed Agreement. Each counterpart shall be deemed an original for all purposes. The signatures of the authorized representative of each party may appear on separate signature pages and the signature pages may be reassembled to form a complete original counterpart.

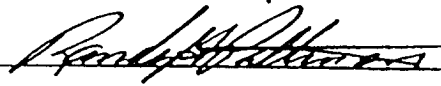
Pogo Producing Company


Name: Jerry A. Cooper
Title: Senior Vice President

Mississippi Potash, Inc.


Name: Timothy A. Dawson
Title: Vice President & Treasurer

Yates Petroleum Corporation


Name: Randy G. Patterson
Title: Attorney-in-Fact

STATE OF TEXAS

§
§
§

COUNTY OF MIDLAND

This instrument was acknowledged before me on this 28 day of June, 2000, by Jerry A. Cooper, Senior Vice President of Pogo Producing Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:
5-27-2001



Janey J. Lasley
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF NEW MEXICO

§
§
§

COUNTY OF EDDY

This instrument was acknowledged before me on this 3 day of July, 2000, by Randy G. Patterson, Attorney-in-Fact of Yates Petroleum Corporation, a New Mexico corporation.

My Commission Expires:
3/1/02

Theresa S. Morrow
NOTARY PUBLIC IN AND FOR THE
STATE OF NEW MEXICO

STATE OF MISSISSIPPI §
 §
COUNTY OF YAZOO §

 This instrument was acknowledged before me on this 25th day of
July, 2000, by Timothy A. Dawson,
Vice President & Treasurer of Mississippi Potash, Inc.,
a Mississippi corporation.

My Commission Expires:

My Commission Expires
July 14, 2001

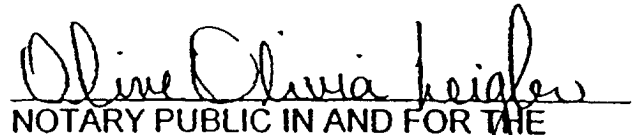

NOTARY PUBLIC IN AND FOR THE
STATE OF Mississippi

EXHIBIT "A"

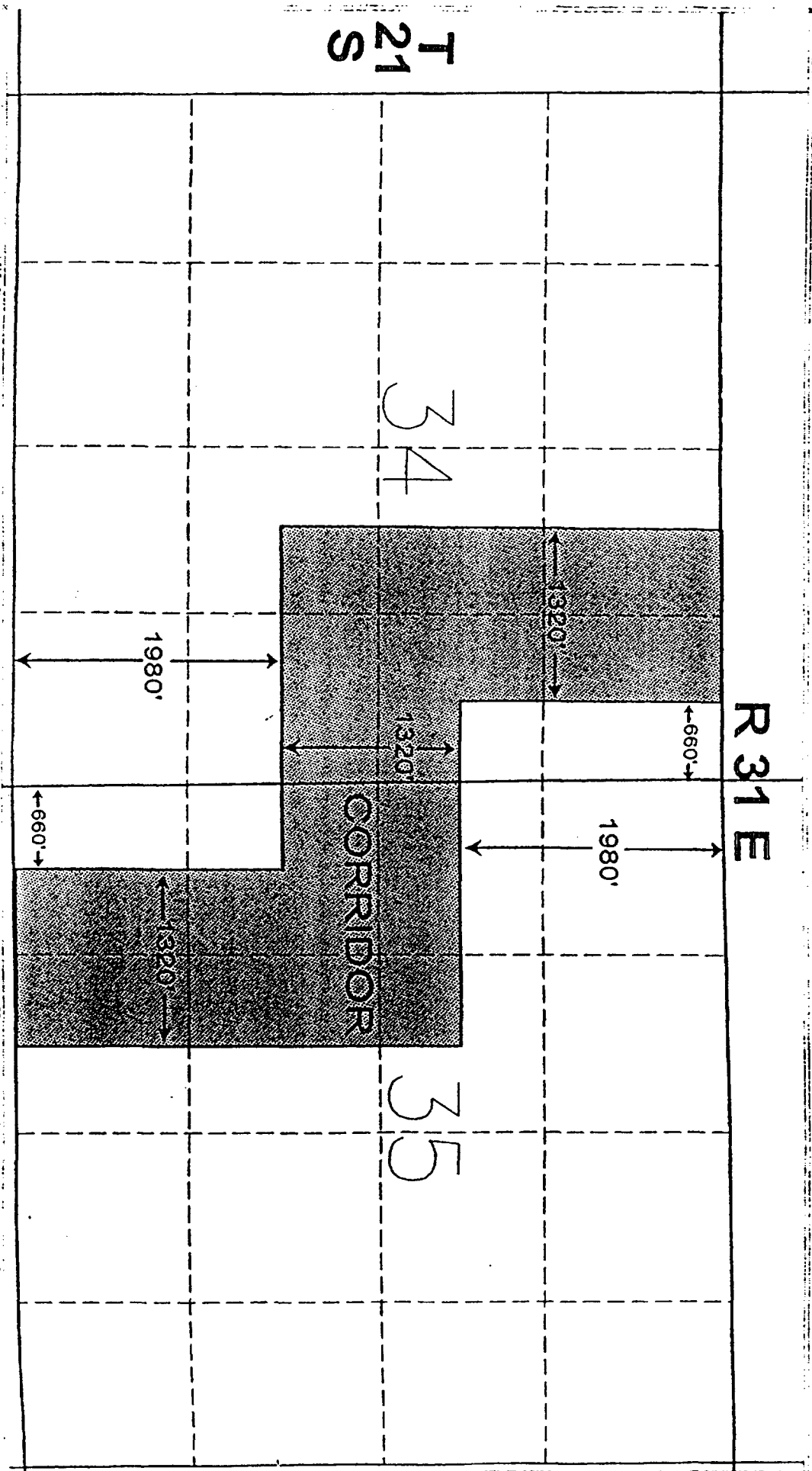


EXHIBIT B

Legal Description of Corridor

The following described lands located in Eddy County, New Mexico:

Township 21 South, Range 31 East, N.M.P.M.

Section 34: $W\frac{1}{2}NE\frac{1}{4}NE\frac{1}{4}$
 $E\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$
 $W\frac{1}{2}SE\frac{1}{4}NE\frac{1}{4}$
 $E\frac{1}{2}SW\frac{1}{4}NE\frac{1}{4}$
 $SE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$
 $NE\frac{1}{4}NW\frac{1}{4}SE\frac{1}{4}$
 $N\frac{1}{2}NE\frac{1}{4}SE\frac{1}{4}$

Section 35: $S\frac{1}{2}SW\frac{1}{4}NW\frac{1}{4}$
 $SW\frac{1}{4}SE\frac{1}{4}NW\frac{1}{4}$
 $N\frac{1}{2}NW\frac{1}{4}SW\frac{1}{4}$
 $SE\frac{1}{4}NW\frac{1}{4}SW\frac{1}{4}$
 $W\frac{1}{2}NE\frac{1}{4}SW\frac{1}{4}$
 $E\frac{1}{2}SW\frac{1}{4}SW\frac{1}{4}$
 $W\frac{1}{2}SE\frac{1}{4}SW\frac{1}{4}$

For all depths from the surface down to the base of the Salado formation which is located at a subsurface depth of 2461 feet in the CNLD log (compensated neutron litho density log) of the Mary "AIV" State Well No. 5, located 660 feet FNL and 330 feet FEL of Section 36, T21S, R31E, N.M.P.M.