



United States Department of the Interior

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



IN REPLY REFER

NMNM
3105.2 NM (513)

Yates Petroleum Corporation
Attn: Paula Baker
105 South Fourth Street
Artesia, NM 88210-2118

S NOV 27 2006

Dear Ms. Baker:

Enclosed is one approved copy of Communitization Agreement NMNM 117345, which involves 240.00 acres m/l of Federal lease NM 94589 and 80.00 acres m/l of Fee land in Eddy County, New Mexico, comprising a 320.00 acres m/l well spacing unit.

The agreement communitizes all rights as to natural gas and associated liquid hydrocarbons producible from the Wolfcamp, Strawn, Atoka and Morrow formations embracing the S/2 of Section 17, T. 25 S., R. 26 E., NMPM, and is effective as of August 08, 2006.

Approval of this 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.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval contact Gary Gourley at (505)627-0249.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

/S/ Larry D. Bray

Larry D. Bray
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

Cc:

MMS, Denver (357B-1, G.Ryer/C. Collins)

NM Taxation & Revenue Dept. (Revenue Processing Div.)

Attention Manuelita Martinez, P.O. Box 2308, Sante Fe, NM 87504

NM (921) T. Ferrero)

NM (513 L Askwig)

NM (523 J. Amos)

✓ NMOCD (Artesia)

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement embracing S/2 of section 17, T. 25 S., R. 26 E., NMPM, Eddy County, New Mexico, as to natural gas and associated liquid hydrocarbons producible from Wolfcamp, Strawn, Atoka and Morrow formations. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: November 27, 2006

/S/ Larry D. Bray

Authorized Officer

Effective: August 08, 2006

Contract No.: Com. Agr. NMNM 117345

CONDITION OF APPROVAL

This Communitization Agreement is approved subject to the requirement that should the well be successfully completed for production, the appropriate field office of the Bureau of Land Management must be notified when it is placed in producing status. Such notification may be provided orally if confirmed in writing and must be received in that office by no later than the fifth business day next following the date on which the well is placed on production, or the date on which the approved communitization agreement is received. The notification shall provide, as a minimum, the following informational items:

1. Operator Name: Yates Petroleum Corporation
Address: 105 South Fourth Street
Phone No: 1-505-748-1471
2. Well name and number: Chosa ATR Fed. Com # 03
3. Well Location: SE1/4 NE1/4 Section 17, T. 25 S., R. 26 E. NMPM, Eddy County, New Mexico
4. Production Status date: 08/08/2006
5. Type of production: Producing gas and condensate liquid hydrocarbons
6. Lease Type: 80 acre Fee lease communitized with 240 acre Federal Lease NM 94589
7. Communitization Agreement Number: NMNM 117345