



PATRICK H. LYONS
COMMISSIONER

RECEIVED
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

January 15, 2009

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Attention: Ms. Mayte Reyes

Re: Lease Commingling
Pequeno Mike BLU Federal #1H
BHL SW/4SW/4 Sec. 3-16S-29E (30-015-36390)
Big Miguel BKN State Com #1H (30-015-36027)
BHL SE/4SE/4 Sec. 2-16S-29E (State Lease No. V-4949-0)
County Line Tank Wolfcamp Pool
Eddy County, New Mexico

Dear Ms. Reyes:

We are in receipt of your application of November 28, 2008 requesting our approval to lease commingle the above captioned wells at the Big Miguel BKN State Com Well No. 1 Battery located in the SW/4SW/4 of Sec. 2-16S-29E.

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Our approval does not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

Our approval is contingent upon Yates Petroleum Corporation securing a Business Lease and Right of Way easement from this office for the well pad on State Trust Lands for the Pequeno Mike BLU Federal Well No. 1H and for the Tank Battery location at the Big Miguel BKN State Com Well No. 1H located in the SW/4SW/4 of Section 2-16S-29E. Please contact Ms. Peggy Walton of our Commercial Resources Division at (505) 827-5863 for a Business Lease and Ms. Anna Villa at (505) 827-5789 for a Right of Way.

-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

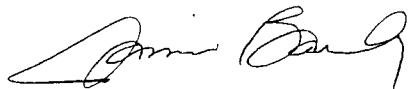
Yates Petroleum Corporation
January 15, 2009
Page 2

Please submit a Filing fee in the amount of \$30.00.

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

A handwritten signature in dark ink, appearing to read "Jami Bailey", is written over a horizontal line.

BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division

PI/JB/pm

cc: Reader File
OCD-Santa Fe Attention Mr. Ed Martin
BLM-Roswell Attention: Mr. John Simitz