STATE OF NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION DIVISION

APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF A UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

CASE NO. 13397

AFFIDAVIT OF H. TIM MILLER

STATE OF NEW MEXICO)	
)	SS.
COUNTY OF LEA	

- I, Tim Miller, being first duly sworn on oath, states as follows:
- 1. My name is Tim Miller. I reside in Carlsbad, New Mexico. I am the petroleum geologist employed by Yates Petroleum Corporation ("Yates") who is responsible for the formation of the proposed Leanin L Federal Exploratory Unit ("the Unit") comprised of 2560 acres, more or less, of federal lands situated in Chaves County, New Mexico. The horizontal limits of said Unit Area are described as follows:

Township 15 South, Range 29 East, N.M.P.M.

Section 8: All Section 9: All Section 10: All Section 17: All

- 2. Yates, the designated Unit Operator in the Leanin L Federal Exploratory Unit Agreement, proposes the formation of the Unit to test all formations from the top of the Queen formation to the Basement.
- 3. The initial unit well will be drilled at a standard gas well location 660 feet from the South line and 660 feet from the East line of Section 8, Township 15 South, Range 29 East, NMPM, Chaves County, New Mexico and is projected to the base of the Strawn to an approximate depth of 10,000 feet.
- 4. Attachment A to this Affidavit is a copy of the Unit Agreement for the proposed Leanin L Federal Exploratory Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.
 - 5. Attachment B is the plat to the Unit Agreement that shows the boundaries

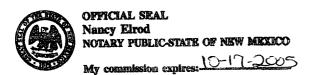
BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13397 Exhibit No. 1
Submitted by:
Yates Petroleum Corporation
Hearing Date: February 3, 2005

of the Leanin L Federal Exploratory Unit and the location of the initial unit test well.

- 6. Attachment C to this affidavit is a copy of Schedule B to the Unit Agreement for the Leanin L Federal Exploratory Unit that identifies the working interest ownership in the unit area. 100% percent of the working interest in the Unit Area is owned by Yates and its affiliated companies and is committed to the unit.
- 7. The schedule under <u>Attachment C</u> also identifies the royalty interest in the Unit Area. One hundred percent of the royalty interest is owned by the United States of America and under <u>Attachment D</u> to this Affidavit is a letter from the Bureau of Land Management dedicating the acreage to the proposed Leanin L Federal Exploratory Unit. There are no overriding royalty interests in the Unit Area.
 - 8. All interests in the Unit Area have been committed to the Unit.
- 9. Attachments E-1 and E-2 are Isopach and Structure Maps. As shown by the Gross Isopach Map of the Strawn (E-1), Yates expects to encounter 25 plus feet of Strawn sands. Yates proposed location is up dip from the Dominion well in Section 20, which is shown by the Atoka Structure Map (E-2). This location would be structurally advantageous. Although no water production has been reported, Yates' proposed well would be around 60 feet higher. Also both maps show the well location is situated to encounter maximum thicknesses of Strawn sands. The Strawn sand is left in dashed lines on the Isopach map because there is little information to the north of the proposed unit concerning lack of porosity.
- Attachments F-1 and F-2, are two cross-sections, displaying the Strawn, Atoka, Morrow Clastics, and Austin Cycle intervals. The Stratigraphic Cross-Section (F-1) which is hung on the top of the Atoka shows one or two Strawn sands in the surrounding wells. The Structural Cross-Section (F-2) shows an up dip trend from south to north. On both cross-sections, the lower Strawn sand (which is highlighted) can be traced in all four wells with the Dominion well and the McClellan Dos Papalotes well having two Strawn sands. These cross-sections also show one or two Strawn sands in all four wells and a lower Strawn sand that is present in all four wells.
- 11. Dominion Exploration's Excalibur well in the northwest quarter of Section 20 (as shown on the Isopach and Structure maps) has two Strawn sands. The well was perforated in the Strawn sands at 9,328'-9,358'. No information has been released on the results of this completion. Dominion did not frac the Strawn sands. These intervals can be seen on the two cross-sections, described above.
- 12. The McClellan Dos Papalotes well in Section 7 has two Strawn sands. A drill stem test was run and McClellan recovered 300 feet of slightly gas cut mud. This well was plugged an abandoned.
- 13. The Abo Petroleum's Boomer Federal No. 1 (shown on E-1 and E-2) has produced from the Queen Sand.

- 14. Attachment G is an Index Map.
- 15. The unit covers an area that can be reasonably developed under a unit plan.
- 16. Yates is attempting to develop several Strawn sands as the main objective. Yates believes that the proposed location is up dip from what should have been productive in the Excalibur well. Also, Yates believes a fracture treatment should have been done to yield production in the Excalibur well.
- 17. This is a high risk project, but if the initial unit well is successful, additional wells will be drilled in the Unit Area. Accordingly, approval of the unit agreement will result in the efficient recovery of hydrocarbons.
- 18. Approval of the Leanin L Federal Exploratory Unit and the development of the Unit Area pursuant to a unit plan is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.



SUBSCRIBED AND SWORN before me on this 17th day of January, 2005.

Notary Public O

My Commission Expires: