



of the Brick State 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 Brick State 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 Attachment C also identifies the royalty interest in the Unit Area. One hundred percent of the royalty interest is owned by the State of New Mexico and under Attachment D to this Affidavit is a letter from the New Mexico Commissioner of Public Lands giving preliminary approval of the State Land Office to the proposed Brick State 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. Attachment E is a Seismic Time Structure Map. The proposed location is situated in a structural high. Since each seismic contour line is roughly equal to fifty (50) feet, the initial unit well would be at least 350 feet higher than Yates' Fawn AWN State Com #1 Well in Section 17 to the Southwest and 200 feet higher than Julian Ard's Acme State #1 Well in Section 4 to the Northeast, which appears to be a separate structure. Those two wells recovered water from drill stem tests and perforations in the Siluro-Devonian formation.

10. Attachment F, is Structural Cross Section A-A', and shows the Fawn AWN State Com #1 Well and the Acme State #1 Well would be down dip from the initial unit well (named the Brick State Unit #1 Well). The Fawn AWN State Com #1 Well had originally been tested at 6,833-6,853 feet and recovered 5,100 feet of salt water. Yates re-entered the well and ran a new suite of logs fifty (50) feet into the Siluro-Devonian to analyze upper horizons in the well. The Acme State #1 Well tested 17 barrels of water from perforations 6,646-6,654 feet in the Siluro-Devonian Dolomite. The Acme State #3 Well (to the northeast in Section 3) is at least 250 feet down dip and no tests were ever run in this well. The only other deep test in the area is Elk Oil's Miller State #1 Well (to the east in Section 2) which appears to be in a separate structure (as shown on the Time Structure Map). This well produces from the Siluro-Devonian at 6,575-6,577 feet and has produced 108 MMCF of gas from October 2003 through September 2004. This well is also structurally higher than both Acme wells and the Fawn well. The initial unit well would be 100 feet higher than Elk's Miller well.

11. The unit covers an area that can be reasonably developed under a unit plan.

12. Yates is attempting to develop Siluro-Devonian Dolomite production as the main objective and believes there is potential production from shallower horizons up-hole. The Fawn well was tested and perforated at 6,442-6,456 feet in the Mississippian at a rate of 30 BOPD, 63 MCFPD and 0 BW. The well was never put on

production due to the low gas rate and price of oil at the time making a pipeline economically unfeasible. The Acme State #1 Well recovered one (1) cubic foot of gas in the sample chamber on a drill stem test in the Cisco limestone and was also perforated at 6,268-6,275 feet in the Strawn sand and tested for 125 MCFPD. This well was also never put into production. The Wolfcamp could also have possible production.

13. 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.

14. Approval of the Brick State 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.

H. Tim Miller  
Geologist

SUBSCRIBED AND SWORN before me on this 9<sup>th</sup> day of February, 2005.

D. Mike Chmura  
Notary Public

My Commission Expires:  
10/9/08