

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,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13444

AFFIDAVIT OF RAYMOND W. PODANY

STATE OF NEW MEXICO)) ss.
COUNTY OF EDDY)

I. Raymond W. Podany, being first duly sworn on oath, states as follows:

1. My name is Raymond W. Podany. I reside in Artesia, New Mexico. I am the petroleum geologist employed by Yates Petroleum Corporation ("Yates") who is responsible for the formation of the proposed Cohiba State Exploratory Unit ("the Unit") comprised of 879.20 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico. The horizontal limits of said Unit Area are described as follows:

Township 25 South, Range 27 East, N.M.P.M.

Section 1: Lots 1, 2, 3, 4 (N/2 N/2), S/2 N/2, SW/4,
W/2 SE/4
Section 12: W/2

2. Yates, the designated Unit Operator in the Cohiba State Exploratory Unit Agreement, proposes the formation of the Unit to test all formations from the surface to the base of the Bone Springs Formation.

3. The initial unit well will be drilled at a standard well location 660 feet from the North line and 660 feet from the West line of Section 1, Township 25 South, Range 7 East, NMPM, Eddy County, New Mexico to an approximate depth of 8,500 feet to test all formations from the surface to the base of the Second Bone Springs Sand formation. The estimated costs for this well are \$1,200,000 million.

4. Attachment A to the Affidavit is a copy of the Unit Agreement for the proposed Cohiba State Exploratory Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13444 Exhibit No. 1
Submitted by:
Yates Petroleum Corporation
Hearing Date: March 17, 2005

5. Attachment B to the Affidavit is the plat to the Unit Agreement that shows the boundaries of the Cohiba 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 Cohiba 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 to the Affidavit also identifies the royalty interest in the Unit Area. 100% percent of the royalty interest is owned by the State of New Mexico. 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 Cohiba State Exploratory Unit. There are no overriding royalty interests in the Unit Area.

8. All of Yates' interest in the Unit Area have been committed to the Unit.

9. Attachment E to this affidavit is a Top of Structure Map for the Bone Springs formation. In this area, sand deposited in deep water depositional systems are the main producing reservoir objective. Trends for these turbidite deposits are generally North-Northeast to South-Southwest. Yates is attempting to achieve an updip favorable structural position at the proposed well location. There are no wells producing from the targeted formation in the proposed unit area.

10. Attachment F is Cross Section A-A' and illustrates the sand trend through the proposed unit area. The Harkey 35 State 1 Well in Section 35 produces from the Bone Springs formation and had a cumulative production of 25 MBO and 490 MMC/F with 11405 Bbls of water. The State GQ Com 1 Well in Section 7 did not test Bone Springs formation.

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

12. The primary target is the Bone Springs formation. Secondary objectives include the Upper Bone Springs formation and the Delaware group.

13. 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 Cohiba 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.

Eddy Co., New Mexico

Raymond H. Podany
3-10-2005

SUBSCRIBED AND SWORN before me on this 10 day of March, 2005.



Lorraine Drake
Notary Public

My Commission Expires:

Aug. 25, 2007