

PATRICK H. LYONS COMMISSIONER

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

June 29, 2005

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

Attention: Mr. Robert Bullock

Re:

Preliminary Approval

Proposed Wynona State Exploratory Unit

Lea County, New Mexico

Dear Mr. Bullock:

Thank you for providing the unexecuted copy of the unit agreement, for the proposed Wynona State Exploratory Unit area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval should not be construed to mean final approval of this agreement in any way and will not extend any short-term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

- Application for final approval by the Commissioner stating the tracts that have been committed and the tracts that have not been committed.
- 2. Pursuant to 19.2.100.51 NMAC showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
- 3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.

ATTACHMENT D

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- Order of the New Mexico Oil Conservation Division (OCD). Our approval will be conditioned upon subsequent favorable approval by the OCD.
- 5. Please submit two copies of the Unit Agreement.
- A copy of the Unit Operating Agreement (if applicable).
- Copies of all the well records for the initial unit well and any subsequent well.
- The filing fee for a unit agreement is thirty dollars (\$30) for every section or partial section thereof; therefore a \$150 filing fee is required.

On your Exhibit "B", Tract No. 7, the Correct Lessee of Record for Lease No. V0-6804-2 is Chesapeake Permian LP.

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

JAMI BAILEY, Director

Oil, Gas and Minerals Division

(505) 827-5744

PL/JB/pm

OCD-Santa Fe, Attention: Mr. Roy Johnson

William F. Carr