

12549



RECEIVED

OCT 25 2004

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

OIL CONSERVATION
DIVISION

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

October 21, 2004

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: Ms. Barbara Nelson

Re: Voluntary Termination
North Papalotes State Unit
Lea County, New Mexico

Dear Ms. Nelson:

We are in receipt of your letter of October 14, 2004 requesting the voluntary termination of the North Papalotes State Unit Agreement. Enclosed with your letter of October 14, 2004 are ratifications of over 75% of the working interest owners requesting the unit termination.

Pursuant to Article 17 of the North Papalotes State Unit Agreement, please be advised that this office has terminated the North Papalotes State Unit Agreement effective October 14, 2004. Please be advised that the North Papalotes State Unit Well No. 1 located in the NE/4NE/4 of Section 36-14S-34E will be produced on a lease basis (V-4826-0).

Please notify all interested parties of this action.

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 cursive script, appearing to read "Jami Bailey".

BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File, Commissioner's File
NMOCD Attention: Mr. Roy Johnson
TRD-Attention: Mr. Valdean Severson
RMD-Attn: Ms. Linda Vieira

-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

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OIL CONSERVATION
DIVISION

(EXPLORATORY)

UNIT AGREEMENT: NORTH PAPALOTES STATE UNIT
OPERATOR: YATES PETROLEUM CORPORATION
LEA COUNTY, NEW MEXICO

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE				CLAUSE	
EFFECTIVE	CASE NO. 12549	1600.00	1600.00	0	0	STRICT	5 YEARS
01/26/2001	ORDER NO. R-11417						SO LONG AS

APPROVALS

SLO--1-26-2001
OCD--1-24-2001

TOWNSHIP 14 SOUTH, RANGE 34 EAST

SECTION 25: ALL
SECTION 26: ALL
SECTION 36: N/2

TERMINATED
EFFECTIVE DATE 10-14-04
APPROVAL DATE 10-14-04

EXHIBIT "A"

[illegible]

EXHIBIT "B"

North Papaloles State Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	SERIAL NUMBER AND ACRES	EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1	T14S-R34E Section 25: E/2 C.S.	320.00	VO-4812 2/1/2001	State of New Mexico 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 1-26-2000 Yates Drilling Company 6.5% Abo Petroleum Corporation 6.5% Mycos Industries, Inc. 6.5% Ocean Energy Resources, Inc 1-26-2000 35.0%
2	T14S-R34E Section 26: S/2SW/4, SE/4 C.S.	240.00	VO-4813 2/1/2001	State of New Mexico 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 1-26-2000 Yates Drilling Company 6.5% Abo Petroleum Corporation 6.5% Mycos Industries, Inc. 6.5% Ocean Energy Resources, Inc 1-26-2000 35.0%
3	T14S-R34E Section 25: W/2 C.S.	320.00	VO-4825 3/1/2001	State of New Mexico 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 1-26-2000 Yates Drilling Company 6.5% Abo Petroleum Corporation 6.5% Mycos Industries, Inc. 6.5% Ocean Energy Resources, Inc 1-26-2000 35.0%
4	T14S-R34E Section 36: N/2 C.S.	320.00	VO-4826 3/1/2001	State of New Mexico 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 1-26-2000 Yates Drilling Company 6.5% Abo Petroleum Corporation 6.5% Mycos Industries, Inc. 6.5% Ocean Energy Resources, Inc 1-26-2000 35.0%
5	T14S-R34E Section 26: N/2, N/2SW/4 C.S.	400.00	VO-6027 11/1/2005	State of New Mexico 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 1-26-2000 Yates Drilling Company 70% Abo Petroleum Corporation 10% Mycos Industries, Inc. 10%
TOTAL STATE LANDS		1,600.00					