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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

March 9, 2005

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

Attention: Ms. Susan Vierra

Re: Preliminary Approval  
Proposed Cohiba State Unit  
Eddy County, New Mexico

Dear Ms. Vierra:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Cohiba State Unit area, Eddy 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 shall 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:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, applications for approval shall contain a statement of facts 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.
4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

**-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


Yates Petroleum Corporation  
March 9, 2005  
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5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. Please submit a \$60.00 filing fee.

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

BY:   
JOHN H. BEMIS, Assistant Commissioner  
Mineral Resources  
(505) 827-5744

PL/JB/pm  
cc:  OCD-Santa Fe, Attention: Mr. Roy Johnson  
William F. Carr



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APR 04 2005

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ON COMMISSIONER'S OFFICE

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Fax (505) 827-5766

www.nmstatelands.org

March 30, 2005

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

Attn: Ms. Susan Vierra

Re: Final Approval  
Cohiba State Exploratory Unit  
Eddy County, New Mexico

Dear Ms. Vierra:

This office is in receipt of your letter of March 29, 2005 requesting final approval of the Cohiba State Exploratory Unit Agreement, Eddy County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Cohiba State Exploratory Unit Agreement. The effective date of your agreement is March 30, 2005.

It is our understanding that all tracts are committed to the unit agreement at this time.

Enclosed are (5) Certificates of Approval.

Your \$60.00 filing fee has been received.

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

BY:

JAMI BAILEY

Oil, Gas & Minerals Division  
(505) 827-5744

PL/JB/pm

pc: Reader File,  
OCD-Santa Fe, Attn: Mr. Roy Johnson  
TRD-Attn: Mr. Valdean Severson  
RMD-Attn: Ms. Linda Vieira  
Mr. William F. Carr

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UNIT NAME: COHIBA STATE EXPLORATORY UNIT  
OPERATOR: YATES PETROLEUM CORPORATION  
COUNTY: EDDY

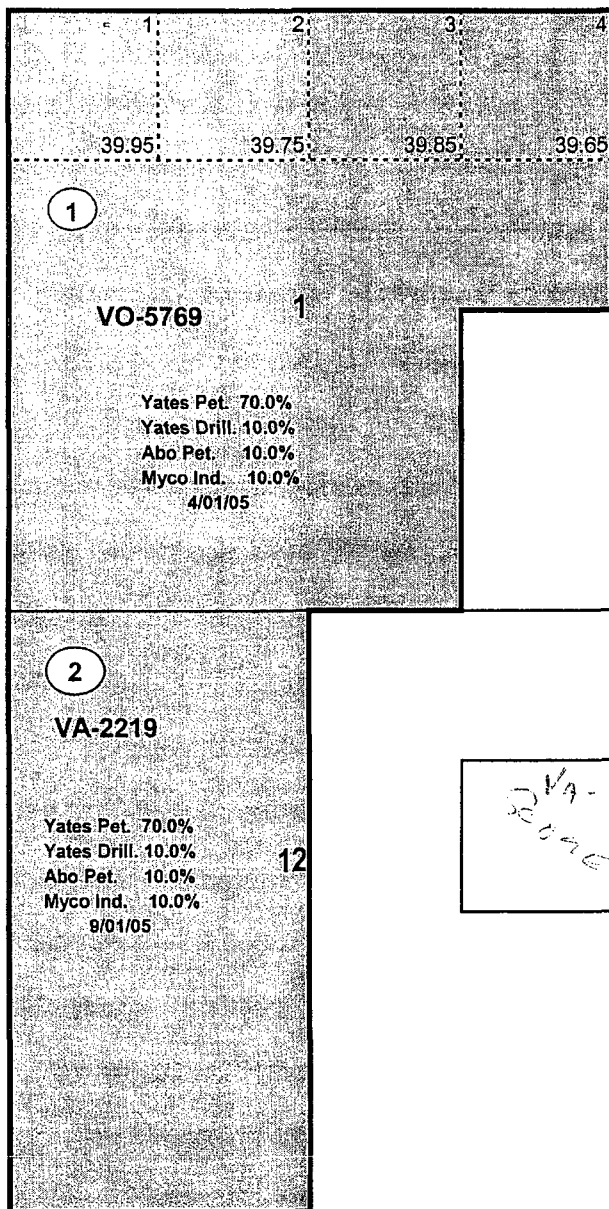
DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SECREGATION CAUSE	TERM
EFFECTIVE 03/30/2005		879.20	879.20	0	0	STRICT	5 YEARS SO LONG AS

APPROVALS

SLO--03-30-2005  
OCD--03-22-2005 CASE NO. 13444  
ORDER NO. R-12316

TOWNSHIP 25 SOUTH, RANGE 27E  
SECTION 1: LOTS 1, 2, 3, 4, S/2N/2, SW/4, W/2SE/4  
SECTION 12: W/2

R27E



# EXHIBIT "A"

Yates Petroleum Corporation

Cohiba State Unit Area

Eddy County, New Mexico

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Indicates Tract No. on Exhibit B



State Land



Indicates Unit Area

Scale 3 inches = 1 mile

**Exhibit B**  
**Cohiba State Unit Area**  
**Eddy County, New Mexico**

Tract No.	Description of Land	No. of Acres	Serial No. and expiration date of lease	Basic royalty and ownership percentage	Lessee of Record	Overriding royalty and percentage	Working interest and percentage
1	Township 25 South, Range 27 East, NMPM Section 1: Lots 1, 2, 3, 4 (N/2NW/2), S/2NW/2, SW/4, W/2SE/4	559.20	VO-5769 / 04/01/05	State of NM: 16.67%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 70.00% Yates Drilling Company 10.00% Abo Petroleum Corporation 10.00% Mycos Industries, Inc. 10.00%
2	Township 25 South, Range 27 East, NMPM Section 12: W/2	320.00	VA-2219 / 09/01/05	State of NM: 12.50%	Yates Petroleum Corporation	None	Yates Petroleum Corporation 70.00% Yates Drilling Company 10.00% Abo Petroleum Corporation 10.00% Mycos Industries, Inc. 10.00%
TOTAL	2 Tracts - State 879.20 acres or 100.00%						