



13434

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

February 13, 2006

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210-2118

Attn: Mr. Robert Bullock

Re: 2006 Plan of Development
Chesney State Unit
Lea County, New Mexico

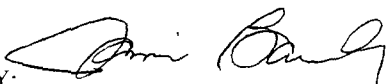
Dear Mr. Bullock:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

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, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/cpm
xc: Reader File

/OCD

-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 • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State of New Mexico

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

February 23, 2004

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed Chesney State Exploratory Unit
Lea County, New Mexico

Dear Mr. Bullock:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Chesney 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 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

RECEIVED

FEB 23 2005

Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505

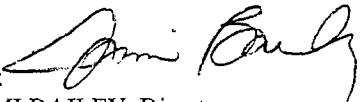
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. Your filing fee in the amount of \$300.00 has been received.

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, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson
William F. Carr



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 31, 2005

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

Attn: Mr. Robert Bullock

Re: Final Approval
Chesney State Exploratory Unit
Lea County, New Mexico

Dear Mr. Bullock:

This office is in receipt of your letter of April 28, 2005 requesting final approval of the Chesney State Exploratory Unit Agreement, Lea County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Chesney State Exploratory Unit Agreement. The effective date of your agreement is March 31, 2005.

It is our understanding that tracts 1 through 18 and tract 30 are fully committed. All the remaining tracts are un-committed at this time..

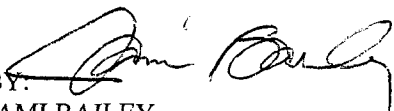
Enclosed are (5) Certificates of Approval.

Your \$300.00 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

-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 Salina Lands • Water Resources • Western New Mexico University

RECEIVED

APR 04 2005

OIL CONSERVATION
DIVISION

UNIT NAME: CHESNEY STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE
APPROVED
OCC CASE NO.
OCC ORDER NO.

TOTAL
ACREAGE
STATE
FEDERAL
INDIAN
FEE
SEGREGATION
CLAUSE
TERM

EFFECTIVE
03/31/2005

5898.99
5739.00
0
Committed
0.9524
5 YEARS
SO LONG AS

APPROVALS

159.04757
Not
Committed

SLO-03-31-2005

OCD-03-25-2005

CASE NO. 13434
ORDER NO. R-12318

TOWNSHIP 11 SOUTH, RANGE 35E

SECTION 1: LOTS 1, 2, 3, 4, S/2SW/4, SE/4

SECTION 2: LOTS 1, 2, 3, 4, SW/4, S/2SE/4

SECTION 11: ALL

SECTION 12: ALL

SECTION 13: ALL

SECTION 14: ALL

SECTION 23: ALL

SECTION 24: ALL

SECTION 26: ALL

SECTION 27: ALL

[illegible]

EXHIBIT "B"
Chesney State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1.	<u>T11S, 35E</u> Sec. 1: Lots 1, 2, 3, 4, (N2) S2SW4, SE4	309.36	VA-2142 4/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
2.	<u>T11S, 35E</u> Sec. 2: Lots 1, 2, 3, 4, (N2) SW4, S2SE4	309.64	VA-2143 4/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
3.	<u>T11S, 35E</u> Sec. 11: W2	320.00	VO-5814 6/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
4.	<u>T11S, R35E</u> Sec. 11: E2	320.00	VO-5830 6/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
5.	<u>T11S, R35E</u> Sec. 12: N2	320.00	VA-2191 7/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
6.	<u>T11S, R35E</u> Sec. 12: S2	320.00	VA-2186 7/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
7.	<u>T11S, R35E</u> Sec. 13: N2	320.00	VA-2192 7/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
8.	<u>T11S, R35E</u> Sec. 13: S2	320.00	VA-2187 7/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.
9.	<u>T11S, R35E</u> Sec. 14: E2	320.00	VA-2193 7/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co.

EXHIBIT "B"
Chesney State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
10.	T11S, R35E Sec. 14: W2 C.S.	320.00	VA-2188 7/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
11.	T11S, R35E Sec 23: W2 C.S.	320.00	VO-5907 8/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
12.	T11S, R35E Sec. 23: E2 C.S.	320.00	VO-5891 8/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
13.	T11S, R35E Sec 24: N2 C.S.	320.00	VO-5892 8/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
14.	T11S, R35E Sec. 24: S2 C.S.	320.00	VO-5908 8/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
15.	T11S, R35E Sec. 26: E2 C.S.	320.00	VO-5909 8/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
16.	T11S, R35E Sec. 26: W2 C.S. E2SW4, SE4	320.00	VO-5910 8/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
17.	T11S, 35E Sec. 27: N2 C.S.	320.00	VO-5939 9/1/05	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%
18.	T11S, 35E Sec. 27: S2 C.S.	320.00	VA-2221 9/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Sharbro Ltd. Oil Co. 70.000% 10.000% 10.000% 10.000%

EXHIBIT "B"
Chesney State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
19.	<u>I11S, 35E</u> Sec 1: NW4SW4 Sec 2: N2SE4	60.00	Fee 3/22/10	Tommy Dale Peveler 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
20.	<u>I11S, 35E</u> Sec 1: NW4SW4 Sec 2: N2SE4	60.00	Fee 3/22/10	Tommy Lee Peveler 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
	<u>I11S, 35E</u> Sec 1: NE4SW4	13.2095	Fee 4/19/10	Estate of Eldon G. Peveler 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
22.	<u>I11S, R35E</u> Sec 1: NE4SW4	13.2095	Fee 4/19/10	Leo Ray Peveler 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
23.	<u>I11S, R35E</u> Sec 1: NE4SW4	0.39332	Fee 5/3/05	Cora Jean Knox Ellis 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
24.	<u>I11S, 35E</u> Sec. 1: NE4SW4	0.39332	Fee 5/3/05	Wilton P. Day, et al 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
	<u>I11S, 35E</u> Sec. 1: NE4SW4	0.39332	Fee 5/24/05	John D. Ellis 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
26.	<u>I11S, 35E</u> Sec. 1: NE4SW4	3.54	Fee 6/29/05	Earl L. Clifford 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
27.	<u>I11S, 35E</u> Sec. 1: NE4SW4	0.61904	Fee 5/6/10	Dorothy I. Jost 3/16	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.

EXHIBIT "B"
Chesney State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
28.	<u>T11S, 35E</u> Sec. 1: NE4SW4	3.14668	Fee	Joseph Leo Burke Trust	Unleased		Joseph Leo Burke Trust
29.	<u>T11S, 35E</u> Sec. 1: NE4SW4	1.90476	Fee	Billy & Ann W. Dunn Trust	Unleased		Billy & Ann W. Dunn Trust
30.	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.95240	Fee	Roy G. Barton, Jr.	Unleased		Roy G. Barton, Jr.
31.	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.73808	Fee	Quay Murphy	Unleased		Quay Murphy
32.	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.47620	Fee	Hazel C. Donaldson	Unleased		Hazel C. Donaldson
33.	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.47620	Fee	W.G. Ross	Unleased		W.G. Ross
34.	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.23810	Fee	Estate of G.P. Sims	Unleased		Estate of G.P. Sims
35.	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.23810	Fee	Aline Sims, widow	Unleased		Aline Sims, widow
	<u>T11S, 35E</u> Sec. 1: NE4SW4	0.07145	Fee	First Roswell Company	Unleased		First Roswell Company
Total State Leased		5739.000000					
Fee Acreage Leased		151.758000					
Fee Acreage Unleased		8.241970					
Total Acreage		5898.999970					