



RECEIVED

APR 30 2007

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
COMMISSIONER'S OFFICE
1220 S. St. Francis Drive
Santa Fe, NM 87501
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

April 25, 2007

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

Attention: Mr. Robert Bullock

Re: Notice of Termination
Chesney State Exploratory Unit
Effective April 15, 2007
Lea County, New Mexico

Dear Mr. Bullock:

By our letter of March 19, 2007 Yates Petroleum Corporation was granted a drilling extension to April 15, 2007 to re-complete the Chesney Unit Well No. 2 in another zone or terminate the unit agreement.

In your conversation with this office, on April 25, 2007, you advised that the Well No. 2 had been plugged and abandoned and since the unit has no other production the unit is considered terminated.

Pursuant to Article 8 of the Chesney State Exploratory Unit Agreement, please be advised that this office has terminated the subject Unit Agreement effective April 15, 2007.

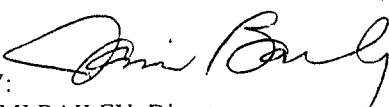
Please notify all interested parties of this action.

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

BY:


JAMI BAILEY, Director
Oil, Gas & Minerals Division
PL/JB/pm

pc: Reader File, Commissioner's File
NMOCD Attention: Mr. David Catanach
TRD-Attention: Mr. Valdean Severson
RMD-Attn: Ms. Kurt McFall

-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

APR 30 2007

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

Oil Conservation Division
1220 S. St. Francis Drive
Terminita Fe, NM 87505

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	INDIAN	SEGREGATION
APPROVED	OCC ORDER NO.	ACREAGE			FEE	CLAUSE

EFFECTIVE		5898.99	5739.00	0	Committed	STRICT	5 YEARS
03/31/2005					0.9524		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

TERMINATED
EFFECTIVE DATE 4-15-07
APPROVAL DATE 4-25-07

[illegible][illegible]