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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

2008 JAN 29 PM 1 38

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

January 24, 2008

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

Attention: Ms Janet Richardson

Re: Preliminary Approval  
Proposed Thurman Draw Federal State Exploratory Unit  
Eddy County, New Mexico

Dear Ms. Richardson:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Thurman Draw Exploratory 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 and Designation from the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

-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

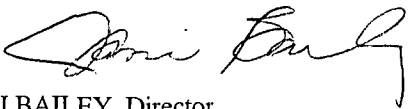
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January 24, 2008  
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5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. A filing fee in the amount of \$270.00.

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  
PL/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Ed Martin  
BLM-Roswell, Attention: Mr. John Simitz



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office  
2909 West Second Street  
Roswell, New Mexico 88201

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IN REPLY REFER TO:  
NMNM119881X  
3180 NM (513)

20 JAN 2008

Yates Petroleum Corporation  
Attn: Ms. Janet Richardson  
105 South Fourth Street  
Artesia, NM 88210-2118

Re: Designation of the Thurman Draw Unit Area  
T. 26 S., R. 23 E.  
Eddy County, New Mexico

Dear Ms. Richardson,

Your application of February 7, 2008, filed with the Bureau of Land Management requests the designation of the Thurman Draw Unit area, embracing 5,780.38 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit "A", the Thurman Draw Unit area, Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM119881X. This designation is valid for a period of one year from the date of this letter.

The unit agreement submitted for the area designated must provide for a well to test the Barnett Shale formation, or to a depth of 8,750 feet. Your proposed use of the Form of Agreement for unproven areas at 43 CFR 3186.1, modified only as shown in your application, will be accepted. If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area. Three copies of the agreement must be submitted to this office.

When the executed agreement is transmitted to the BLM for approval, please include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form. A minimum of three copies of the executed agreement should be submitted with your request for final approval.

Copies of this letter are being sent to the Commissioner of Public Lands and the New Mexico Oil Conservation Division as this proposed unit area contains both Fee lands and State of New Mexico lands.

Sincerely,  
*/s/ Angel Mayes*

Angel Mayes  
Assistant Field Manager,  
Lands and Minerals

cc: NM (513, AC Swoboda)  
Commissioner of Public Lands  
NMOCD – Santa Fe