



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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August 6, 2007

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

Attn: Mr. Chuck Moran

Re: Manchester State Unit Well No. 1
NW/4NW/4 Sec. 20-19S-23E
Non-Commercial Well Determination
Eddy County, New Mexico

Dear Mr. Moran:

We received your letter of July 25, 2007 together with data that supports your commerciality determination regarding the Manchester State Unit Well No. 1.

Pursuant to Article 8 of the agreement, this office does not concur with the commerciality determination as submitted. According to the data submitted, it is our opinion that the referenced well does not qualify as a commercial Morrow well.

In view of the above, the second well is due on or before December 11, 2007.

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/IB/pm

pc: Reader File,
OCD-Attention: Mr. David Catanach
TRD - Valdean Severson

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