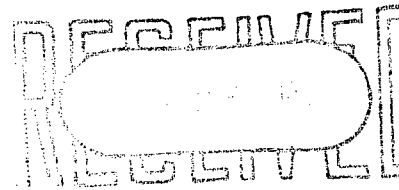




## United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
ROSSELL FIELD OFFICE  
2909 West Second Street  
Roswell, New Mexico 88201-2019



IN REPLY REFER  
NMNM109714X  
3180 (06300)

SEP 24 2003

Yates Petroleum Corporation  
Attention: Janet Richardson  
105 S. Fourth Street  
Artesia, NM 88210-2118

Dear Ms. Richardson:

Your application of September 4, 2003 filed with the BLM requests the designation of the Samuel Smith Unit area, embracing 7684.76 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, Yates Petroleum Corporation, Samuel Smith Unit, Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM109714X. This designation is valid for a period of one year from the date of this letter.

The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 10,600 feet, whichever is the lesser depth. Your proposed use of the Form of Agreement for Unproved Areas will be accepted, however, the unit name shown on the front page of the agreement needs to be changed to the Samuel Smith Unit and the acreage shown on page 2 of the agreement needs to reflect the correct acreage. Both of these pages are enclosed and corrections to be made marked in red. Corrections to be made to Exhibits A and B are also marked in red on the enclosed Exhibits.

If conditions are such that modification of said standard form is deemed necessary, two 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 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 which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the BLM for final approval, 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.

BEFORE THE COMMISSION  
Santa Fe, New Mexico  
Case No. 13188 Exhibit No. 3  
Submitted by:  
YATES PETROLEUM CORPORATION  
Hearing Date: December 4, 2003

Inasmuch as this unit agreement involves State and Fee lands, a copy of the letter is being sent to the Commissioner of Public Lands and the NMOCD. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry D. Bray".

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

4 Enclosures