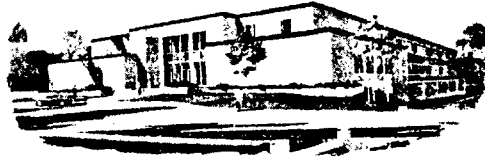


State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

September 14, 1987

091687
SLO REF NO. OG-429

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

Harvey E. Yates Company
ATTENTION: Ms. Shari Darr
P. O. Box 1933
Roswell, New Mexico 88201

Re: Proposed Honeydew Unit
Lea County, New Mexico

Gentlemen:

This office has reviewed the unexecuted copy of unit agreement for the proposed Honeydew Unit Area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and 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. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval please submit the following:

1. Application for formal approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. 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.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 9215

SUBMITTED BY APPLICANT

HEARING DATE SEPTEMBER 23, 1987

The filing fee for a unit agreement is thirty dollars per

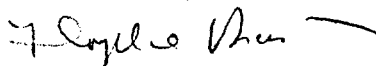
Harvey E. Yates Company
September 14, 1987
Page 2

section or partial section thereof.

If we may be of further help please do not hesitate to call
on us.

Very truly yours,

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 

FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm

cc: OCD-Santa Fe, New Mexico
 Gulram, Inc.
 Meridian Oil Inc.