

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

#12,640
OIL COUNTY
COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

February 26, 2003

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

Attn: Mr. Robert Bullock

Re: Notice of Termination
Nonombre State Unit Agreement
Lea County, New Mexico

Dear Mr. Bullock:

Our records reflect that Yates Petroleum Corporation is the operator of record for the Nonombre State Unit, Lea County, New Mexico.

Article 8, Drilling to Discovery provides that: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the top of the Mississippian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 14,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known address, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

Our records reflect the following:

- The Nonombre State Unit Agreement was approved effective May 9, 2001.
- The Nonombre State Unit Well No. 1 was completed on December 10, 2001. A commercial well determination was never submitted for this well, therefore, the well is considered non-commercial and is to be produced on a lease basis.
- Pursuant to Article 8 of the unit agreement, the next exploratory well was due to be commenced on or before June 10, 2002.
- Pursuant to your telephone conversation with Pete Martinez, of this office on February 25, 2003, you advised this office that the "2nd unit well was never drilled and the unit is considered terminated."

Please be advised that the Nonombre State Unit Agreement has this date been terminated effective June 10, 2002 being the date the date the 2nd unit well was due to be commenced.

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 and Minerals Division
(505) 827-5744

RP/JB/pm

cc: OCD-Santa Fe Attn: Mr. Roy Johnson
 TRD-Santa Fe Attn: Mr. Valdean Severson
 RMD-Santa Fe Attn: Ms. Linda Vieira
 Reader File

(EXPLORATORY)

UNIT AGREEMENT: NONOMBRE STATE UNIT
OPERATOR: YATES PETROLEUM CORPORATION
LEA COUNTY, NEW MEXICO

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE				CLAUSE	
		*Committed					
EFFECTIVE	CASE NO. 12640	2482.72	2482.72	0	0	STRICT	5 YEARS
05/09/2001	ORDER NO. R-11576						SO LONG AS
	*(W/2NW/4, Section 29-13S-34E, 80.00 acres not committed.)						
APPROVALS							
SLO-05-09-2001							
OCD--04-30-2001							

TOWNSHIP 13 SOUTH, RANGE 34 EAST

SECTION 29: E/2, SW/4, E/2NW/4
SECTION 30: All
SECTION 31: All
SECTION 32: All

TERMINATED
EFFECTIVE DATE <u>6-10-02</u>
APPROVAL DATE <u>2-28-03</u>

EXHIBIT A
NONOMBRE STATE UNIT

R.G. Barton, Jr.
6 22 98
8 1 98

J.R. McC

Skelly
HBP
01124

13 34

Homer Ingle, etal

18
Skelly
HBP
01124

17
Midwest
Mounsey
TD 12,300
DIA 2-23-69

Ashmun,
etal
Church
TD 10,840
DAB 23-66
15-24

16
Yates Pet, etal
1-1-2001
VA-1449
1563

15
Exxon
McCrary-
TD 10,806
DIA 10-3-85

U.S., MI
Murpha Skains, (S)

Virgin Linam
Murpha Skains, (S)

State

U.S. M.I

J. R

Skelly
HBP
01124

J.T.
Bass, Tr. M.I.

Jane
Rice
Columbia Gas Div.

Skelly
HBP
01124

Sun
12-27-91

Sun
8-13-90

Skelly
HBP
01124
U.S.M.
J.R. McCrary

Colum
Goss C
12-19

G.L.
Hopkins

Empire
Holding
R.F. Fort

B.R. Powell, (S)

Skelly
HBP
01124

22

Sun
12-17-89

U.S. M.I.
Powell (S)

M.E. Poi

Tempo
Ener.

M.H. Davis etal, M
M.E. Powell (S)

H.C. Ingle, M.I.
M.E. Powell (S)

Yates Pet, etal
2-1-2006
V-6129
84 49

Beren
baugh,
etal

Yates Pet, etal
12-1-2000
V-4173
7352

Sun
12-20-91
12-27-91
Yates Pet, etal
1-21-92
1-31-94

W.E. Hill, etal

Yates Pet, etal
2-1-2006
V-6109 25787
COT 45119
Sme t St
TD 10,800
DIA 28-65

Yates Pet,
Conoco Adv. St.

Midwest
Harris St
TD 10,800
DIA 23-66

Phillips
TD 10,800
DIA 14-65

McClellan
Dye

D.A. Lynch, etal
Lena Dye, Life Est
M.E. Powell (S)

LCM Ltd.
10-9-2003
10-4-2003

D.A. Lynch, etal
Lena Dye, Life Est
M.E. Powell (S)

Yates Pet, etal
1-1-2001
V-1439
5193

Yates Pet, etal
12-1-2001
V-4174
8722

Yates Pet, etal
3-1-2004
V-5478
10694

Two Olive Trees
12-1-2003 V-5419
100100

LCM Ltd. (Eikon)
6-15-2003
6-19-2003

Yates Pet, etal
Dome
Monomere St
(Viking Pet)
(Dome
Nonombre)
TD 13174
DIA 17-82

Yates Pet, etal
Ranger St.
(Amoco)
(Midwest) 2 M.I.
(State)
(Bough) D.
(F310)
(P/B) 1010700
TD 14438
Atoka-Morr. Disc.

Sun
NM-St
TD 10500

(State)
Don

Durham
Eikon

Western
Oil Prod
State
TD 10734
DIA 12-5-68

Yates Pet, etal
10-1-2004
V-5633
1558

Sun
State
1 R

Yates Pet, etal
3-1-2004
V-5478
10694

E.L. Eikon, Tr. M.I.

State

State

State

State, M.I.
(Dual)

Seth A.
Tyson Fields

Permian Basin
Acq. Fund
TD 10,800
DIA 12-82

Yates
Pet, etal
11-1-94
87940

Yates
Pet, etal
10-1-2004
V-5634
1558

Yates Pet, etal
10-1-2004
V-5633
1558

Yates Pet, etal
10-1-2004 V-5632
1596

Yates Pet, etal
10-1-2004 V-5632
1596

Yates Pet,
etal
7-1-2005
V-5897

State

State

State

State

State

State

State

State

State

State

State

State

EXHIBIT "B"

Nonombré State Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1	T13S-R34E Section 29: W/2S/4 E/2W/2, E/2	560.00 12/1/00 * Course Any State	State of New Mexico 16.67%	Yates Petroleum Corporation 5/2/01	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. 5/2/01 70% 10% 10% 10%
2	T13S-R34E Section 32: All	640.00 12/1/00 C.S. Flying Landmark * Any Any State	State of New Mexico 16.67%	Yates Petroleum Corporation 5/2/01	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. 5/2/01 70% 10% 10% 10%
3	T13S-R34E Section 31: All Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	642.84 1/1/01 * Dome Nonombré Ave 2 State	State of New Mexico 12.50%	Yates Petroleum Corporation 5/2/01	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. 5/2/01 70% 10% 10% 10%
4	T13S-R34E Section 30: S/2 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	320.31 2/1/06 * 1/1/01	State of New Mexico 16.67%	Yates Petroleum Corporation 5/2/01	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. 5/2/01 70% 10% 10% 10%
5	T13S-R34E Section 30: N/2 Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	319.57 2/1/06 * 1/1/01	State of New Mexico 16.67%	Yates Petroleum Corporation 5/2/01	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. 5/2/01 70% 10% 10% 10%
6	T13S-R34E Section 29: W/2NW/4 C.S.	80.00 * N/1/1 HBP	State of New Mexico 12.50%	Devon SFS Operating Inc. * N/1/1 COMMITTEE	None	Devon SFS Operating Inc. 100%
TOTAL STATE LAND		2,562.72	2,482.72	COMMITTEE		

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

RECEIVED
FEB 17 2003
CML COMMUNICATION
COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

February 18, 2003

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

Attn: Mr. Robert Bullock

Re: New Grass State Unit Well No. 1
NE/4NE/4 Sec. 22-15S-34E
Commercial Well Determination
Lea County, New Mexico

Dear Mr. Bullock:

We received your letter of February 13, 2003 together with data that supports your commercial determination regarding the New Grass State Unit Well No. 1.


The Commissioner of Public Lands concurs with Yates Petroleum Corporation's determination that the above-mentioned well is a commercial well in the Mississippian formation.

Your plan of development for 2003 has also been received and is currently being evaluated.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

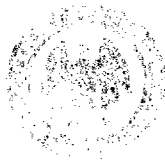
PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/pm

pc: Reader File, OCD-Attention: Mr. Roy Johnson



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

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

January 29, 2003

Strata Production Company
200 West First Street
Roswell, NM 88203

Attention: Ms. Jo McInerney

Re: Nash Unit
Second Revision to the Delaware Participating Area
Eddy County, New Mexico

Dear Ms. McInerney:

We received your letters of November 25, 2002, December 12, 2002 and January 15, 2003 requesting our approval of the second revision to the Nash Unit Delaware participating area.

In order to fully evaluate your proposal, we are currently reviewing all data submitted for the above mentioned application and would like you to submit the following additional data:

- Seismic lines depicting areas greater than 40' gross thickness of the Brushy Canyon "L" Sandstone on the net porosity isopach map.
- Data showing the acreage being drained for the well Nos. 33, 36 and 38 for the Brushy Canyon formation in the Nash Draw Delaware pool.
- Your plans that address an OCD request for non-standard proration for the three above mentioned wells.
- A statement of non-objection or approval of the 2nd expansion of the Delaware Participating Area by all affected working interest owners.

Please provide the above requested information for our review on or before April 29, 2002.

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
(505) 827-5744
PL/JB/pm

pc: Reader File
BLM-Roswell, Attn: Mr. Armando Lopez
OCD-Santa Fe Attn: Mr. Roy Johnson

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

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

January 7, 2003

J. D. Murchison Interests, Inc.
1100 Mira Vista Blvd.
Plano, Texas 75093-4689

Attention: Mr. Michael S. Daugherty

Re: Nash Unit
Request for Extension of Automatic
Elimination of Certain Acreage

Dear Mr. Daugherty:

Your extension request of December 18, 2002 has been received. In your letter you have requested our approval to extend the automatic elimination date of lands to be contracted from the Nash Unit because of the complexity of the well plan for the Nash Unit Well No. 53.

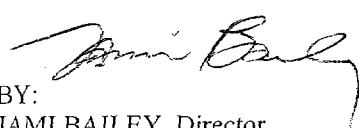
In a related issue, we have also received an application dated November 25, 2002 from the sub-operator, Strata Production Company, for the second revision of the Delaware participating area for this unit. We do not concur with Strata on the lands entitled to participate in the second revision of the Delaware participating area as submitted.

In view of the circumstances and time constraints required to formalize the second revision of the Delaware participating area, the Commissioner of Public Lands hereby grants you a one year extension of the automatic elimination date for the Nash Unit to January 22, 2004. This action is subject to like approval by the Bureau of Land Management.

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
(505) 827-5744

PL/JB/pm

xc: Reader File
BLM – Roswell Attn: Mr. Armando Lopez
Strata Production Company Attn: Ms. Jo McInerney

#12640

(EXPLORATORY)

UNIT AGREEMENT: NONOMBRE STATE UNIT
OPERATOR: YATES PETROLEUM CORPORATION
LEA COUNTY, NEW MEXICO

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE				CLAUSE	
		*Committed					
EFFECTIVE	CASE NO. 12640	2482.72	2482.72	0	0	STRICT	5 YEARS
05/09/2001	ORDER NO. R-11576						SO LONG AS
APPROVALS							
SLO-05-09-2001							
OCD--04-30-2001							

*(W/2NW/4, Section 29-13S-34E,
80.00 acres not committed.)

TOWNSHIP 13 SOUTH, RANGE 34 EAST

SECTION 29: E/2, SW/4, E/2NW/4
SECTION 30: All
SECTION 31: All
SECTION 32: All

EXHIBIT A NONOMBRE STATE UNIT

R.G. Barton, Jr.
6 22 98
8 1 98

Skelly
HBP
01124

13 34

Homer Ingle, etal

18
Skelly
HBP
01124

U.S. MI
Murphy Skains, (S)

17
Midwest
Mounsey
TO 12,500
D/A 2-23 69

New Mex. Inc.
Co., M.I.
Murphy Skains, (S)

Ashmun,
etal
Church
TO 10,840
D/A 2-25 66

16
Yates Pet, etal
1-1-2001
VA-1449
15 63

State

15
Eaton
McCrory
TO 10,806
D/A 10-3-85

U.S. M.I.

J. R.

Skelly
HBP
01124

J.T.
Bass, Tr. 1/2 M.I.

19

U.S. MI

Resie Turner etal
Troy Fort, S.E.M.I.

Jane
Rice
Columbia Gas Dev.
Fort
Family Tr. M.I.

20

C.G. Boren
baugh, etal
(Troy Fort, (S))

Fort Family
Tr. M.I.
James
D Black etal
Yates Pet
etal
TO 10,981
D/A 1-10-90

Skelly
HBP
01124

Sun
12 27-91

Sun
8-13 90

Skelly
HBP
01124
U.S.M.I.
J.R.M.C.

Colum
Gass
12-19

G.L.
Hopkins
Empire
Holding
R.F. Fort
B.R. Powell, (S)

Skelly
HBP
01124

S
T
O

Sun
12 17-89
Tempo
Ener.
Ingle, Fed.
M.H. Davis etal, M
M.E. Powell (S)

U.S. M.I.
M.E. Powell (S)

M.E. Poi

H.C. Ingle, M.I.
M.E. Powell (S)

Yates Pet, etal
2-1-2006
V-6129
84 49

Yates Pet, etal
12 1 2000
V 4173
73 52

Sun
12 20 91
12 27 91
Yates Pet, etal
1-21-97
1-31-94

W.E. Hill, etal

28

Yates Pet, etal
2-1-2006
V-6109 257 87
C.O.T. 51
Sme f St
TO 10,800
D/A 2-28 65
State
T Fort Fam. Trust, (S)

Yates Pet,
Conoco A.V. St.

Midwest
Harr. S St
TO 10,990
D/A 1-23 66
State
T Fort Fam. Trust, (S)

Phillips
TO 10,000
D/A 14 65

McClellan
Dye

D.A. Lynch, etal
Lena Dye, Life Est
M.E. Powell, (S)

LCM Ltd.
10-9 2003
10-4 2003
Shottz
Dye
TO 10,806
D/A 10-3-85

D.A. Lynch, etal
Lena Dye, Life Est
M.E. Powell, (S)

Yates Pet, etal
1-1-2001
V 1439
5193

1-AWY
2-FO
Yates Pet, etal
12 1 2001
V 4774
87 92
Amoco
(Midwest)
St.
Amoco
(Midwest)
State
Amoco
State
TO 10,320

Yates Pet, etal
3-1-2004
V 5478
106 94

Two Olive Trees
12-1-2003 V 5419
100100

LCM Ltd. (Eikon)
6-15 2003
6-19 2003
P(B)

Yates Pet, etal
1-AWY
Dome
Monomere St
(Viking Pet)
(Dome
Nonombre)
TO 10,724
D/A 1-17 82

Yates Pet, etal
1-AWY
Ranger St.
Amoco
(Midwest)
2 v.
(State)
(Bough D'
Disc.)
(P(B) 13010)
(F310)
T/A 10700
TO 14,438
Atoka-Morr. Disc.

Sun
NM St
TO 10,500

Yates Pet, etal
3-1-2004
V 5478
106 94

Superior
State
Eikon
Mitchell
Ener.
3 21 87
Mattie
Field

Western
Oil Prod
State
TO 10,736
D/A 12 5 68

Amoco
(Midwest)
St.
L. Penn Disc.
U. Penn Disc.

Sun
State
J.R.

State, MI
(Dual)

Superior
Eikon
Seth A.
Tyson Fie

State

NONOMBRE

State

Tyson Fields

Tyson Fie

Permian Basin
Acq Fund
1-1-98
23 34

Yates Pet, etal
1-1-98
90911
8 00

Yates Pet, etal
1-1-94
87 940

Low
TO 10,177
D/A 6127

Yates Pet, etal
10-1-2004
V 5633
15 58
Low
State
TO 10,500

Yates Pet, etal
10-1-2004 V 5632
15 96

Yates Pet, etal
10-1-2004 V 5632
15 96

Yates Pet, etal
7-2005
V 5837

V 5058
172 53
Superior
St Com

Superior
State
Don Fields

Sam Boren
Roberts
TO 10,545

6

6

6

5

4

4

4

EXHIBIT "B"

Nononbre State Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1	T13S-R34E Section 29: W/2S/4 E/2W/2, E/2 <i>R-R</i>	560.00 VO-4773 12/1/00 <i>4 Corner Any Start</i>	State of New Mexico 16.67%	Yates Petroleum Corporation <i>5/2/01</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. <i>5/2/01</i>
2	T13S-R34E Section 32: All <i>C.S.</i>	640.00 VO-4774 12/1/00 <i>Big Committment Any Start</i>	State of New Mexico 16.67%	Yates Petroleum Corporation <i>5/2/01</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. <i>5/2/01</i>
3	T13S-R34E Section 31: All <i>R-R</i> <i>Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20</i>	642.84 VA-1439 1/1/01 <i>1/1/01</i>	State of New Mexico 12.50%	Yates Petroleum Corporation <i>5/2/01</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. <i>5/2/01</i>
4	T13S-R34E Section 30: S/2 <i>R-R</i> <i>3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20</i>	320.31 VO-6109 2/1/06 <i>1/1/01</i>	State of New Mexico 16.67%	Yates Petroleum Corporation <i>5/2/01</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. <i>5/2/01</i>
5	T13S-R34E Section 30: N/2 <i>R-R</i> <i>Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20</i>	319.57 VO-6129 2/1/06 <i>1/1/01</i>	State of New Mexico 16.67%	Yates Petroleum Corporation <i>5/2/01</i>	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. <i>5/2/01</i>
6	T13S-R34E Section 29: W/2NW/4 <i>C.S.</i>	80.00 E-4192 - 5 HBP <i>1/1/01</i>	State of New Mexico 12.50%	Devon SFS Operating Inc. <i>1/1/01</i> <i>Committment</i>	None	Devon SFS Operating Inc. <i>100%</i>
TOTAL STATE LAND		2,562.72 <i>2,482.72</i>	<i>Committment</i>			

HOLLAND & HART ^{LLP}
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

SUITE 1
110 NORTH GUADALUPE
SANTA FE, NEW MEXICO 87501-6525
MAILING ADDRESS
P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
www.hollandhart.com

April 23, 2001

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

01 APR 23 PM 3:30
01 APR 23 PM 3:30

**Re: Case No. 12640: Application of Yates Petroleum Corporation for
approval of a unit agreement, Lea County, New Mexico**

Dear Mr. Stogner:

I have enclosed a copy of the preliminary approval letter dated April 19, 2001 from the Commissioner of Lands for your use. If you need anything further from Yates Petroleum Corporation, please contact me.

Thank you for your assistance in this matter.

Very truly yours,



William F. Carr

WFC/keh
Enclosure

Cc: Mr. Randy Patterson
Yates Petroleum Corporation

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700

Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713

Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245

Fax (505) 827-5766



**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

COMMERCIAL RESOURCES

Phone (505) 827-5724

Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744

Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772

Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793

Fax (505) 827-5711

April 19, 2001

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

Attention Mr. Robert Bullock:

Re: Preliminary Approval
Nonombre State Unit
Lea, County, New Mexico

Dear Mr. Bullock:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Nonombre State Unit area, Lea 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. A statement of record from Yates Petroleum Corporation that Devon Energy Production Company, L.P. the lessee of record for tract number 6 was invited to join the unit.
3. Pursuant to Rule 1.045, 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.

01 APR 23 PM 3:30
01 APR 23 PM 3:30

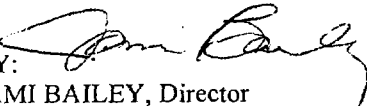
Yates Petroleum Corporation
April 19, 2001
Page 2

4. 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.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. The well name for the initial unit well should be changed to the Nonombre State Unit Well No. 1.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson
William F. Carr