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William F. Carr

wcarr@hollandhart.com

March 14, 2002

VIA HAND DELIVERY

David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Eenergy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

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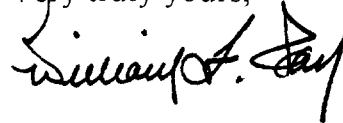
Re: New Mexico Oil Conservation Division Case 12831: Application
of Yates Petroleum Corporation for approval of a Unit Agreement,
Lea County, New Mexico.

Dear Mr. Catanach:

Enclosed is the Preliminary Approval of the Commissioner of Public Lands for the proposed New Grass State Unit. As Yates testified at the examiner hearing in this matter, certain leases in the unit area expire in the immediate future and Yates therefore requests that the order in this case be expedited to the extent possible.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr

Enclosure

cc: Robert Bullock
John Amiet
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

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

March 12, 2002

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed New Grass 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 New Grass 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. 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.
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. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
5. Please submit two copies of the Unit Agreement.

"WE WORK FOR EDUCATION"

Yates Petroleum Corporation
March 12, 2002
Page 2

6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. Your filing fee in the amount of \$210.00 has been received.

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/pzn

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

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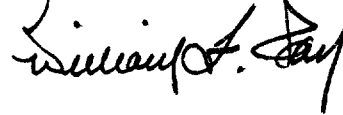
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Lea County, New Mexico

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