

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

#12,938

RECEIVED

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

OIL AND GAS
DIVISION

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

November 18, 2002

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

Attn: Mr. Robert Bullock

Re: Final Approval
Ten Mile Federal State Exploratory Unit
Chaves County, New Mexico

Dear Mr. Bullock:

This office is in receipt of your letter of November 13, 2002, requesting final approval of the Ten Mile Federal State Exploratory Unit Agreement, Chaves County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Ten Mile Federal State Exploratory Unit Agreement, Chaves County, New Mexico. Our approval is subject to like approval by the Bureau of Land Management. Pursuant to Section 20 of the unit agreement, the unit will become effective upon approval by all the appropriate agencies.

Pursuant to your letter of November 13, 2002, it is our understanding that all tracts are fully committed to the unit agreement with the exception of Tract No. 3.

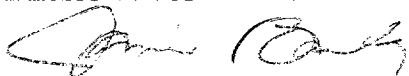
Enclosed are (5) Certificates of Approval.

Your \$180.00 filing fee 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/pm

pc: Reader File,
OCD-Santa Fe, Attn: Mr. Roy Johnson
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Ms. Linda Vieira
BLM-Attn: Mr. Armando Lopez

UNIT NAME: TEN MILE FEDERAL STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: CHAVES

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 11/21/2002	CASE NO. 12938 ORDER NO. R-11852	3440.00	2800.00	640.00	0	MODIFIED	5 YEARS SO LONG AS

APPROVALS

SLO--11-18-2002
OCD--10-24-2002
BLM--11-21-2002

TOWNSHIP 14 SOUTH, RANGE 28 EAST

SECTION 20: E/2NE/4, SE/4
SECTION 21: ALL
SECTION 28: ALL
SECTION 29: ALL
SECTION 32: ALL
SECTION 33: ALL

EXHIBIT "A"

EXHIBIT "B"

Ten Mile Federal State Exploratory Unit
Chaves County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	SERIAL NUMBER AND EXPIRATION DATE	LESSOR & BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1	T14S-R28E Section 21: N2, NESW, SE	NM-94599 2/28/05	USA 1/8	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	4% 32% 32% 32%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
2	T14S-R28E Section 29: W2NW	NM-108966 12/31/12	USA 1/8	Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	34% 33% 33%	Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
3	T14S-R28E Section 21: NWSW	NM-0558973 HBP	USA 1/8	Myco Industries, Inc. Paul Slayton	50% 50%	Myco Industries, Inc. Paul Slayton
Total Federal Lands 640.00 18.6047%						
4	T14S-R28E Section 28: W2	VA-1709 12/1/02	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
5	T14S-R28E Section 29: E2, E2NW, SW 1/8	VA-1710 12/1/02	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
6	T14S-R28E Section 33: E2	VA-1834 10/1/03	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
7	T14S-R28E Section 33: W2	VA-1841 10/1/03	State of New Mexico 1/8	Yates Petroleum Corporation	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.

EXHIBIT "B"

Ten Mile Federal State Exploratory Unit
Chaves County, New Mexico

8	T14S-R28E Section 28: E2	✓ C.S.	320.00	✓	VA-1833 10/1/03	✓	State of New Mexico 1/8	✓	Yates Petroleum Corporation	✓	9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70% 10% 10% 10%
9	T14S-R28E Section 21: S2SW	✓ C.S.	80.00	✓	VO-5386 11/1/03	✓	State of New Mexico 1/8	✓	Yates Petroleum Corporation	✓	9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70% 10% 10% 10%
10	T14S-R28E Section 20: E2NE, SE	✓ C.S.	240.00	✓	VA-1863 12/1/03	✓	State of New Mexico 1/8	✓	Yates Petroleum Corporation	✓	9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70% 10% 10% 10%
11	T14S-R28E Section 32: S2	✓ C.S.	320.00	✓	VO-6153 4/1/06	✓	State of New Mexico 1/6	✓	Yates Petroleum Corporation	✓	9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70% 10% 10% 10%
12	T14S-R28E Section 32: N2	✓ C.S.	320.00	✓	VO-6171 4/1/06	✓	State of New Mexico 1/6	✓	Yates Petroleum Corporation	✓	9-26-02	0	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70% 10% 10% 10%
Total State Lands			2800.00 acres or 81.3953%											

Total Federal Lands 640.00 acres or 18.6047%
Total State Lands 2800.00 acres or 81.3953%
TOTAL UNIT ACRES 3440.00 acres

* THIS TRACT WILL BE AN UNCOMMITTED TRACT

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OCT 16 2002

OIL CONSERVATION

New Mexico State Land Office

Commissioner of Public Lands

Ray Powell, M.S., D.V.M.

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Fax (505) 827-5711

October 9, 2002

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval
Proposed Ten Mile Federal State Exploratory Unit
Chaves County, New Mexico

Dear Mr. Bullock:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed Ten Mile Federal State Exploratory Unit area, Chaves 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 and Designation from the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Yates Petroleum Corporation
October 9, 2002
Page 2

5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.

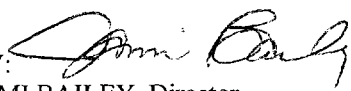
Your \$180.00 filing fee has been received.

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/pm

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson
 BLM-Roswell, Attention: Mr. Armando Lopez
 William F. Carr

HOLLAND & HART ^{LLP}
ATTORNEYS AT LAW

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

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

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 9, 2002

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12938

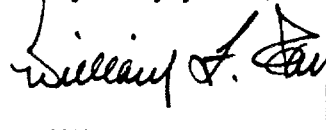
SEP 11 2002
11:30 AM
NEW MEXICO DEPT OF ENERGY
OIL CONSERVATION DIVISION
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NM 87505

Re: Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the October 10, 2002 Examiner Hearing docket.

Very truly yours,



William F. Carr

Enclosures

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

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL
OF A UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 12938

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order approving its Ten Mile State/Federal Exploratory Unit and in support of this application states:

1. That the proposed Unit consists of 3840 acres, more or less, of State of New Mexico and Federal lands, situated in Chaves County, New Mexico. The horizontal limits of said unit are described as follows:

Township 14 South, Range 28 East, N.M.P.M.

Section 20: All
Section 21: All
Section 28: All
Section 29: All
Section 32: All
Section 33: All

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Yates Petroleum Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in the all formations are unitized.

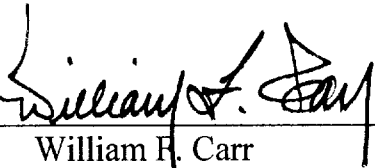
4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

5. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 10, 2002, that notice be given as required by law and the rules of the Division, and that the Ten Mile State/Federal Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART LLP

By: 
William F. Carr

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE NO. 12938 Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico. Applicant seeks approval of the Ten mile State/ Federal Exploratory Unit for an area comprising 3840 acres of State of New Mexico lands located in Sections 20, 21, 28, 29, 32 and 33 of Township 14 South, Range 28 East, NMPM, which is located approximately 10 miles east of Hagerman, New Mexico.

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL
OF A UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO.**

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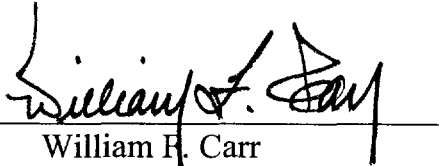
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Respectfully submitted,

HOLLAND & HART LLP

By: 
William R. Carr

ATTORNEYS FOR YATES PETROLEUM
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