

13,037

RECEIVED

MAY 13 2003

OIL CONSERVATION  
DIVISION

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

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

May 7, 2003

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

Attn: Mr. Chuck Moran

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

Dear Mr. Moran:

This office is in receipt of your letter of May 1, 2003, requesting final approval for the Biplane 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 Biplane Federal State Exploratory Unit Agreement, Chaves County, New Mexico. Our approval is subject to like approval by the Bureau of Land Management and the New Mexico Oil Conservation Division.

Pursuant to your letter of May 1, 2003, it is our understanding that Tract No. 8 is not committed to the unit agreement at this time.

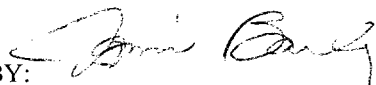
Enclosed are (5) Certificates of Approval.

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,

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

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

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	N/C	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE			FEE	CLAUSE	
EFFECTIVE 5/05/2003	CASE NO. 13037 ORDER NO. R-11941	2170.72	640.00	1370.72	160.00	Modified	5 YEARS SO LONG AS
APPROVALS (Committed Acreage)							

SLO--5-07-2003  
OCD--4-22-2003  
BLM--05-05-2003

TOWNSHIP 16 SOUTH, RANGE 27 EAST

SECTION 16: All

R27E

<div>5</div> <div>NM-107366</div> <div>Yates Pet. 4.0% Yates Drill. 32.0% Abo Pet. 32.0% Myco Ind. 32.0% 11/30/11</div>	<div>2</div> <div>4</div> <div>NM-90871</div> <div>Yates Pet. 4.0% Yates Drill. 32.0% Abo Pet. 32.0% Myco Ind. 32.0% 5/31/03</div>	<div>Yates Pet. 4.0% Yates Drill. 32.0% Abo Pet. 32.0% Myco Ind. 32.0% 5/31/03</div> <div>1</div> <div>3</div> <div>NM-90870</div>	
	<div>3</div> <div>NM-90874</div>	<div>4</div> <div>NM-90875</div>	
<div>9</div> <div>Yates Pet. 4.0% Yates Drill. 32.0% Abo Pet. 32.0% Myco Ind. 32.0% 5/31/03</div>	<div>10</div> <div>Yates Pet. 4.0% Yates Drill. 32.0% Abo Pet. 32.0% Myco Ind. 32.0% 5/31/03</div>		
<div>Yates Pet. 76.0% Yates Drill. 10.0% Abo Pet. 10.0% Myco Ind. 16.0% 2/11/06</div> <div>6</div> <div>VIA-2494</div>	<div>5</div> <div>NM-107366</div> <div>Yates Pet. 4.0% Yates Drill. 32.0% Abo Pet. 32.0% Myco Ind. 32.0% 11/30/11</div>	<div>8</div> <div>Fee</div>	<div>15</div>
<div>7</div> <div>VIA-2495</div> <div>Yates Pet. 76.0% Yates Drill. 10.0% Abo Pet. 10.0% Myco Ind. 16.0% 7/9/06</div>			

T 6 S

RECEIVED  
EXHIBIT "A"  
MAY -2 M 9:12  
Yates Petroleum Corporation  
STATE OF NEW MEXICO  
Biplane Unit Area

Chaves County, New Mexico

- 1

Indicates Tract No. on Exhibit B
- Federal Land
- State Land
- Fee Land
- Indicates Unit Area

Scale: 3 inches = 1 mile

**Exhibit B**  
**Biplane Unit Area, Chaves County, New Mexico**

RECEIVED

Tract No.	Description of Land	No. of Acres	Serial No. and expiration date of lease	Basic royalty and ownership percentage	Lessee of Record	Overriding Royalty and percentage	Working interest and percentage
1	Township 6 South, Range 27 East, NMPM Section 3, Lots 3, 4 (W/2)	83.60	NM-90870 05/31/03	U.S.: 12.5%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	4.00% 32.00% 32.00% 32.00% None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
2	Township 6 South, Range 27 East, NMPM Section 4, Lots 1, 2 & 3	125.35	NM-90871 05/31/03	U.S.: 12.5%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	4.00% 32.00% 32.00% 32.00% None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
3	Township 6 South, Range 27 East, NMPM Section 9, E/2, SW/4, E/2NW/4	560.00	NM-90874 05/31/03	U.S.: 12.5%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	4.00% 32.00% 32.00% 32.00% None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
4	Township 6 South, Range 27 East, NMPM Section 10: W/2	320.00	NM-90875 05/31/03	U.S.: 12.5%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	4.00% 32.00% 32.00% 32.00% None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
5	Township 6 South, Range 27 East, NMPM Section 4: Lot 4 Section 9: W/2NW/4 Section 15: NW/4	281.77	NM-107366 11/30/11	U.S.: 12.5%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	4.00% 32.00% 32.00% 32.00% None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
6	Township 6 South, Range 27 East, NMPM Section 16: N/2	320.00	VA-2494 07/01/06	State of NM: 12.5%	Yates Petroleum Corporation	100.00% None	Yates Petroleum Corporation
7	Township 6 South, Range 27 East, NMPM Section 16: S/2	320.00	VA-2495 07/01/06	State of NM: 12.5%	Yates Petroleum Corporation	100.00% None	Yates Petroleum Corporation
8a	Township 6 South, Range 27 East, NMPM Section 15: SW/4	160.00	Fee 04/28/06	Viola Faintender: 18.75%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00% None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.

**Exhibit B**  
**Biplane Unit Area, Chaves County, New Mexico**

8b	<u>Township 6 South, Range 27 East, NMPM</u> Section 15, SW/4	160.00	Fee	04/28/06	The Dersham Trust: 18.75%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
8c	<u>Township 6 South, Range 27 East, NMPM</u> Section 15, SW/4	160.00	Fee	04/28/06	Joseph W. Fahrlander: 18.75%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
8d	<u>Township 6 South, Range 27 East, NMPM</u> Section 15, SW/4	160.00	Fee	04/28/06	Sue Fahrlander Lemons: 18.75%	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	70.00% 10.00% 10.00% 10.00%
TOTAL		8 Tracts 2170.72 acres in entire unit area								



## United States Department of the Interior

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

#13,037

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MAR 24 2003

GIL CONSERVATION  
DIVISION

IN REPLY REFER  
NMNM109680X  
3180 (06300)

MAR 21 2003

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

Gentlemen:

Your application of February 28, 2003 filed with the BLM requests the designation of the Biplane Unit area, embracing 2170.72 acres, more or less, Chaves 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, Biplane Unit, Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM109680X. 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 Wolfcamp formation, or to a depth of 5700 feet, whichever is the lesser depth. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the following language inserted in Sections 9 and 11 of the agreement:

Section 9: It is understood that the qualification of existing wells as unit wells shall not be considered unless and until a well producing in paying quantities has been completed in accordance with this section of the unit agreement.

Section 11: Determination as to whether a well completed within the unit area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as a result of the completion of a well for production in paying quantities in accordance with section 9 hereof.

If conditions are such that further 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.

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,

*/s/ Larry D. Bray*

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

Enclosures

CC:  
Commissioner of Public Lands, Santa Fe  
NMOCD, Santa Fe

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

March 7, 2003

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

Attention: Mr. Robert Bullock

Re: Preliminary Approval  
Proposed Biplane 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 Biplane 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  
March 7, 2003  
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.
8. A filing fee in the amount of \$180.00.

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

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

HOLLAND & HART<sup>LLP</sup>  
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

February 25, 2003

**HAND DELIVERED**

**RECEIVED**

MAR . 3 2003

Ms. 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

Oil Conservation Division

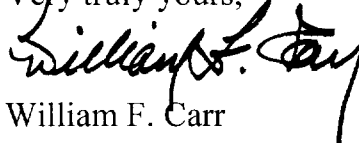
*Case 13037*

**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 March 27, 2003 Examiner Hearing docket.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Chuck Moran  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210-2118

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

**RECEIVED**

MAR . 5 2003

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

Oil Conservation Division  
CASE NO. 13037

**APPLICATION**

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

1. The proposed Unit Area consists of 2170.72 acres, more or less, of State, Federal and Fee lands, situated in Chaves County, New Mexico. The horizontal limits of said unit are described as follows:

**Township 6 South, Range 27 East, N.M.P.M.**

Section 3:	Lots 3 and 4 (W/2)
Section 4:	Lots 1, 2, 3, and 4 (All)
Section 9:	All
Section 10:	W/2
Section 15:	W/2
Section 16:	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 March 27, 2003, that notice be given as required by law and the rules of the Division, and that the Biplane Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

CASE NO. 13037

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

Applicant seeks approval of the BiPlane Exploratory Unit for an area comprising 2170.72 acres of State of New Mexico, Federal and Fee lands in Sections 3, 4, 9, 10 15, and 16, of Township 6 South, Range 27 East, , which is located approximately 3 miles west of Dougherty, New Mexico.