

April 6, 2004

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APR 6 2004

Ms Carol Leach, Acting Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals & Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Case 13253

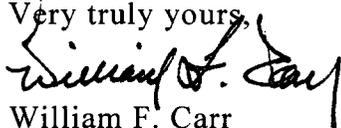
Re: Application of Yates Petroleum Corporation for an order authorizing the drilling of three wells in the Potash Area, Eddy County, New Mexico.

Dear Ms. Leach:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the proposed legal advertisement. Yates requests that this matter be placed on the docket for the April 29, 2004 Examiner Hearings.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr  
Attorney for Yates Petroleum Corporation

cc: Gail MacQuesten, Esq.  
Randy Patterson

Enclosures

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

**RECEIVED**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR AN ORDER  
AUTHORIZING THE DRILLING OF THREE WELLS IN THE POTASH AREA, EDDY  
COUNTY, NEW MEXICO.**

APR 6 2004

CASE NO. 13259

Oil Conservation Division  
1270 N. Francis Drive  
**APPLICATION** Santa Fe, NM 87505

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, applies to the New Mexico Oil Conservation Division for an order approving the drilling of the following three wells located within the Potash Area in Section 2, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico:

- (A) Yates Petroleum Corporation Theodore "BDY" State Well No. 1  
1980 feet from the South and West lines (Unit K);
- (B) Yates Petroleum Corporation Theodore "BDY" State Well No. 2  
330 feet from the South line and 1650 feet from the East line (Unit O); and
- (C) Yates Petroleum Corporation Theodore "BDY" State Well No. 3  
843 feet from the South line and 774 feet from East line (Unit P).

In support of this application, Yates states:

1. Yates Petroleum Corporation is the lessee of certain oil and gas rights under Section 2, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico (State of New Mexico Oil and Gas Lease No. NM Lease No. VO-5541). Yates has the right to develop the oil and gas reserves underlying this property on behalf of itself and the State of New Mexico.
2. Section 2 is within the Potash Area and therefore governed by Division Order R-111-P.

3. Pursuant to Division Order R-111-P, Yates prepared an Application for Permit to Drill (Form C-101) and a Well Location and Acreage Dedication Plat (Form C-102) showing the location of each of its Theodore "BDY" State Well Nos. 1, 2 and 3, which Yates proposes to drill to a total depth of approximately 7,850 feet or 100 feet below the base of the Delaware formation as wildcat oil wells at orthodox well locations on standard 40-acre spacing units in the S/2 of Section 2.

4. On March 16, 2004, by registered mail, Yates sought the waiver of objection to the proposed location from all potash leaseholders within one mile of the proposed well location.

5. By letters dated March 24, 2004, IMC Carlsbad Inc. ("IMC") objected to Yates' proposed well locations and by letter dated March 26, 2004, the Oil Conservation Division denied and returned the applications to drill these wells to Yates.

6. Yates and IMC have been unable to resolve the objections of IMC by agreement of the parties and, therefore, pursuant to the procedures set out in the "Statement of Agreement between the Potash Industry and Oil and Gas Industry on Concurrent Operations in the Potash Area in Eddy and Lea Counties, New Mexico," Yates requests that this matter be set for hearing before an examiner of the Oil Conservation Division.

7. Approval of this application will not result in undue waste of potash deposits or constitute a hazard to or interfere with the mining of existing potash reserves.

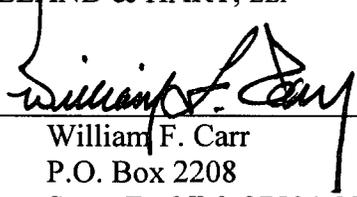
8. Approval of this application will afford Yates the opportunity to produce its just and equitable share of hydrocarbons underlying state lands, will prevent waste and protect correlative rights.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 29, 2004, and that, after

notice and hearing, the Division enter its order authorizing Yates to drill its proposed Theodore “BDY” State Well Nos. 1, 2 and 3 at the proposed standard oil well locations in Units K, O and P of Section 2, Township 23 South, Range 30 East.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

William F. Carr

P.O. Box 2208

Santa Fe, NM 87504-2208

505/988-4421 (telephone)

ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

**PROPOSED LEGAL AD:**

CASE 13253:

**Application of Yates Petroleum Corporation for an order authorizing the drilling of three wells in the Potash Area, Eddy County, New Mexico.** Applicant seeks an order approving the drilling of the following three wells located within the Potash Area in Section 2, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico:

- (A) Yates Petroleum Corporation Theodore "BDY" State Well No. 1 1980 feet from the South and West lines (Unit K);
- (B) Yates Petroleum Corporation Theodore "BDY" State Well No. 2 330 feet from the South line and 1650 feet from the East line (Unit O); and
- (C) Yates Petroleum Corporation Theodore "BDY" State Well No. 3 843 feet from the South line and 774 feet from East line (Unit P).

These wells will be drilled as wildcat wells to an approximate depth of 7,850 or 100 feet below the base of the Delaware formation to test all formations from the surface to the base of the Delaware formation. These wells will be drilled at orthodox oil well locations on standard 40-acre oil spacing units in Section 2, Township 20 South, Range 30 East. Said location is within the Potash Area and approximately 8 miles east of Carlsbad, New Mexico.