

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

2011 OCT -6 P 4: 55

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL OF A
NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 14740

APPLICANT'S PRE-HEARING STATEMENT

Applicant Yates Petroleum Corporation ("Yates") submits this Pre-Hearing Statement as required by the Oil Conservation Division.

APPEARANCES

Yates' business address is 105 South Fourth Street, Artesia, New Mexico 88210-2118. It is represented by the undersigned counsel. At this time, Yates is not aware of any party that has entered an appearance in this case and/or opposes Yates' application.

STATEMENT OF THE CASE

Yates seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2 N/2 of Section 13, Township 18 South, Range 29 East, N.M.P.M. in Eddy County. Yates further seeks the pooling of all uncommitted working interests (i) from the surface to the ²top of the Bone Spring formation underlying the NE/4 NE/4 of Section 13 to form a standard 40-acre oil spacing and proration unit within that vertical extent, save and except the West Loco Hills Unit Interval underlying the NE/4 of Section 13 at 2,767 feet to 2,792 feet subsurface, and (ii) in the Bone Spring formation

underlying the N/2 N/2 of Section 13 to form a non-standard 160-acre oil spacing and proration unit (project area). The units are to be dedicated to the Grateful BOD Fed Com #1H well, a horizontal well drilled at an orthodox location in the NE/4 NE/4 of Section 13 into the Bone Spring formation, with a terminus at an orthodox location in the NW/4 NW/4 of Section 13. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, the designation of Yates as the operator of the well, and a 200% charge for the risk involved in drilling completing the well.

PROPOSED EVIDENCE

If no party opposes its application, Yates will present its case through the affidavits of landman Charles E. Moran and geologist John Humphrey. If a party comes forward to oppose its application, Yates will present the following witnesses to provide testimony and introduce documentary exhibits in support of its application:

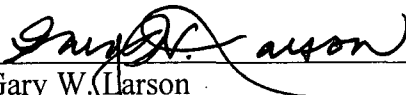
<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Charles E. Moran (Landman)	15 minutes	Approx. 6
John Humphrey (Geologist)	15 minutes	Approx. 4

Yates reserves the right to call a rebuttal witness(es) if appropriate.

PROCEDURAL MATTERS

Yates is not aware of any procedural matters that need to be resolved.

HINKLE, HENSLEY, SHANOR
& MARTIN, LLP



Gary W. Larson
P.O. Box 2068
Santa Fe, NM 87504-2068
Phone: (505) 982-4554
Facsimile: (505) 982-8623
glarson@hinklelawfirm.com

Counsel for Yates Petroleum Corporation