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March 14, 2006

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13694

Re: Application of Yates Petroleum Corporation for approval of a unit agreement, Lea County, New Mexico.

Dear Mr. Fesmire:

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 April 13, 2006 Examiner Hearing docket.

Sincerely,


Ocean Munds-Dry

Enclosures

cc: Mr. Robert Bullock
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

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

CASE NO. 13694

APPLICATION

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

1. The proposed Unit Area consists of 963.68 acres, more or less, of State of New Mexico lands, situated in Lea County, New Mexico. The horizontal limits of said unit are described as follows:

Township 12 South, Range 32 East, N.M.P.M.

Section 18: All
Section 19: E2

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 all formations are unitized.

4. The unit boundaries are consistent and substantially supported by the geological limits of the unitized formations.

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 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 April 13, 2006, that notice be given as required by law and the rules of the Division, and that the Rascal State Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

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Santa Fe, New Mexico 87504
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ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE NO. 13694:

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the Rascal State Exploratory Unit from the surface to the base of the Mississippian formation in an area comprising 963.38 acres of State of New Mexico lands in Sections 18 and 19 in Township 12 South, Range 32 East, NMPM, which is located approximately 10 miles south of Caprock, New Mexico.