

Yates Petroleum Corporation
Case 13893 – North Dagger Draw Upper Penn Unit
Eddy County, New Mexico
Ask to Shut-in Wells during Pilot Testing

1. North Dagger Draw Upper Penn Unit effective February 1, 2005
2. Pre-Unit Production = 24.7 MMBO from 101 wells
63.5 Bcf
86.1 MMBW
3. Estimated 50 MMBO remain in place
4. Irregular water-flood pattern designed by consultant for new unit
5. Began injection September 15, 2005, into 5 wells → No oil response
6. Some water movement in East-West direction
7. Conclusion – Irregular pattern has failed
8. Options
 - a. Test confined five-spot pattern
 - b. Test East-West line drive pattern
 - c. Quit
9. Proposed plan
 - a. Well Testing – Oil Saturation, Interference – 6 months
 - b. Inject into confined 5-spot pattern – 15 months
 - c. Inject into line-drive pattern – 15 months
10. Request permission to leave wells shut-in outside of test areas during 36-month test period – otherwise lose about \$300,000 per month producing non-economic wells.
11. At end of test period, Yates will expand water-flood within North Dagger Draw Upper Penn Unit or plug all unit wells according to NMOCD standards.