



May 8, 2007

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87503

*Case 13927*

2007 MAY 8 PM 3 47

Re: Application of Yates Petroleum Corporation for a nonstandard gas spacing unit,  
Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed 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 docket for the June 7, 2007 examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Charles Moran  
Yates Petroleum Corporation

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

2007 MAY 8 PM 2:48

**IN THE MATTER OF THE APPLICATION OF  
YATES PETROLEUM CORPORATION FOR  
A NON-STANDARD GAS SPACING UNIT,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13922

**APPLICATION**

YATES PETROLEUM CORPORATION ("Yates"), by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order establishing a non-standard 160-acre spacing unit within the Saladar-Strawn Gas Pool (**84412**) to comprise the SW/4 of Section 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico to be dedicated to its Hedgerow BFH State Com Well No. 1 (**API No. 30-015-33715**) located at a standard gas well location 660 feet from the South line and 1136 feet from the West line (Unit M) of said Section 28 and in support of this application states:

1. The SW/4 of Section 28 is located in the Saladar-Strawn Gas Pool which is unprorated and is therefore not subject to Part H of the Division's statewide rules entitled "Gas Proration and Allocation" (Rules 601 through 605). However, the pool is currently governed by Division Rule 104.C(2), which requires 320-acre spacing units comprised of two contiguous quarter sections of a single governmental section with wells located not closer to a quarter section line than 660 feet nor closer to any internal quarter-quarter section line than 10 feet, and allows an optional infill well within an existing spacing unit provided the infill well is located in the quarter section not containing the unit's initial producing gas well.

2. The N/2 of Section 28 was dedicated in the Strawn formation to the Great Western Drilling Company Burton State Well No. 1. This well produced from the Strawn for approximately 8 years and was plugged and abandoned in 1982.

3. A nonstandard gas spacing unit comprised of the SE/4 of Section 28 is dedicated to the Ocean Energy, Inc. Burton Flat Deep Unit Well No. 13 (**API No. 30-015-21125**). This nonstandard unit, approved by Division Order No. R-11928 entered on March 26, 2003, was created because the SE/4 of Section 28 is in the Burton Flat Deep Unit and the lease covering the

SW/4 of the Section 28 had expired at the time the nonstandard unit was created. Approval of a 160-acre nonstandard unit for the SE/4 of the Section prevented adverse impacts on the parties who had initially paid for the well when it was drilled to the Morrow formation.

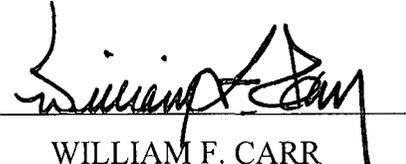
4. The SW/4 of Section 28 is the only acreage in this section in the Strawn formation that has not been drained or is not currently dedicated to an existing and producing nonstandard spacing unit in this formation.

5. Approval of this application will be in the best interest of conservation, will prevent the waste of hydrocarbons and will enable the owners of interests under the SW/4 of Section 28 to produce their just and equitable share of the reserves under this property thereby protecting correlative rights.

WHEREFORE, YATES PETROLEUM CORPORATION requests that this application be included on the docket for the June 7, 2007 examiner hearing docket and that after notice and hearing as required by law, the application be granted.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

WILLIAM F. CARR  
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Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

CASE 13927:

**Application of Yates Petroleum Corporation for a nonstandard gas spacing unit, Eddy County, New Mexico.** Applicant, in the above-styled cause seeks an approving a 160-acre non-standard gas spacing unit comprised of the SW/4 of Section 28, Township 20 South, Range 28 East, NMPM, to be dedicated to its Hedgerow BFH State Com Well No. 1 (**API No. 30-015-33715**) to be recompleted from the Morrow formation to the Strawn formation, Saladar-Strawn Gas pool (**84412**) at a standard gas well location 660 feet from the South line and 1136 feet from the West line of said Section 28. Said unit is located approximately 9 miles north northeast of Carlsbad, New Mexico.