



August 3, 2007

BY HAND DELIVERY

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 87505

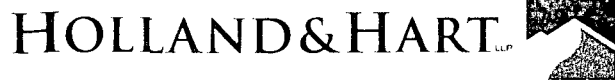
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Re: **Case No. 13893 (De Novo)**: Application of Yates Petroleum Corporation for approval of a pilot project in the North Dagger Draw-Upper Pennsylvanian Unit for purposes of establishing proper waterflood injection patterns and for a temporary exemption from the provisions of Division Rule 203 concerning approved temporary abandonment of wells, Eddy County, New Mexico. Order No. R-12251-A.

Dear Mr. Fesmire:

Yates Petroleum Corporation is the operator of the North Dagger-Draw Upper Pennsylvanian Unit. In this case, Yates seeks authorization to conduct a 3-year pilot study within a portion of the North Dagger Draw-Upper Pennsylvanian Unit Area to determine proper waterflood injection patterns in a pilot study area comprised of the S/2 of Section 20, and all of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. Yates also seeks an exemption from the provisions of Division Rule 19.15.4.203 to allow it to shut-in injection and production wells outside the pilot study area but within the North Dagger Draw-Upper Pennsylvanian Unit Area for the duration of the 3-year pilot test.

On July 5, 2007, the Division entered Order No. R-12251-A which authorized Yates to conduct the 3-year pilot study but denied its request to shut-in injection and production wells outside the pilot study area but within the North Dagger Draw-Upper Pennsylvanian Unit Area for the duration of the 3-year pilot test. This order also requires Yates to provide to the Artesia District Office of the Division, a list of wells within the North Dagger Draw-Upper Pennsylvanian Unit area to be temporarily abandoned, a list of wells that will be utilized for testing purposes, and a list of wells that will continue to be produced during the 3-year test period. This list must be filed by August 4, 2007.



On July 23, 2007, Yates filed its application in this case for hearing de novo before the full Commission. This case should be included on the September 2007 Oil Conservation Commission hearing docket.

Since receiving the Division's Order No. R-12251-A, Yates has been re-evaluating its plans for further development of the North Dagger Draw-Upper Pennsylvanian Unit, including its plans to attempt to institute new waterflood operations therein. While this re-evaluation is in progress, it is impossible for Yates to comply with the provision of Order Paragraph No. 4 for it does not at this time know which wells need to be temporarily abandoned, which wells should be used for testing purposes, if any, and which wells Yates will continue to be produced during the testing period.

Since Order No. R-12251-A does not contain a provision that permits an extension of the time for the filing of this list and since the filing of Yates Application for Hearing De Novo does not stay this requirement, Yates has filed a motion seeking an order staying the provisions in order Paragraph (4) until an order is entered in this case following the Commission's de novo Hearing.

The reason for this motion is that Yates cannot comply with this requirement under the time limits imposed by Order Paragraph 4 of Order No. R-12251-A and does not want to be out of compliance with the Division's Order.

There are no other parties to this case. A proposed stay order is attached to the motion.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and "C".

William F. Carr

cc: Cheryl Bada, Esq.
Assistant General Counsel
Oil Conservation Commission

Charles Moran, Esq.
Yates Petroleum Corporation

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BEFORE THE
OIL CONSERVATION COMMISSION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF A PILOT PROJECT IN THE NORTH DAGGER DRAW-UPPER PENNSYLVANIAN UNIT FOR PURPOSES OF ESTABLISHING PROPER WATERFLOOD INJECTION PATTERNS AND FOR A TEMPORARY EXEMPTION FROM THE PROVISIONS OF DIVISION RULES 203 CONCERNING APPROVED TEMPORARY ABANDONMENT OF WELLS, EDDY COUNTY, NEW MEXICO.

CASE NO. 13893(De Novo)
ORDER NO. R-12251-A

YATES PETROLEUM CORPORATION'S MOTION FOR STAY

Yates Petroleum Corporation ("Yates"), through its attorneys, Holland & Hart, LLP, hereby moves the Oil Conservation Commission, pursuant to Rule 19.15.14.1221, for an order staying certain provisions in Order No. R- 12251-A which requires Yates to file a list identifying the wells that it will (1) temporarily abandon, (2) use for testing, or (3) continue to produce during the authorized testing period until an order is entered in this case following the de novo hearing on this application and in support of its motion states:

1. Yates is the operator of the North Dagger Draw-Upper Pennsylvanian Unit.
2. In Case No.13893, Yates seeks authorization to conduct a 3-year pilot study within a portion of the North Dagger Draw-Upper Pennsylvanian Unit Area to determine proper waterflood injection patterns in a pilot study area comprised of the S/2 of Section 20, and all of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. Yates also seeks an exemption from the provisions of Division Rule 19.15.4.203 to allow it to shut-in injection and production wells outside the pilot study area but within the North Dagger Draw-Upper Pennsylvanian Unit Area for the duration of the 3-year pilot test.
3. On July 5, 2007, the Division entered Order No. R-12251-A which authorized Yates to conduct the 3-year pilot study but denied its request to shut-in injection and production wells outside the pilot study area but within the North Dagger Draw-Upper Pennsylvanian Unit Area for the duration of the 3-year pilot test.

4. Order No. R-12251-A also provides:

- (3) Within 8 months after the effective date of this order, Yates Petroleum Corporation shall, in accordance with the procedures set forth in Division Rule 19.15.4.203, temporarily abandon all wells within the North Dagger Draw Upper Pennsylvanian Unit Area except:
 - (a) those wells that will be utilized to conduct authorized testing operations, including production and/or future injection wells that will be utilized to test line-drive or five-spot injection patterns; and
 - (b) those wells that are capable of production and that will be produced during the 3-year pilot test period.
- (4) Within 30 days after the effective date of this order, the applicant shall provide to the Artesia District Office of the Division, a list of wells within the North Dagger Draw Upper Pennsylvanian Unit area to be temporarily abandoned, a list of wells that will be utilized for testing purposes, and a list of wells that will continue to be produced during the 3-year test period.

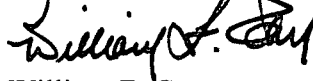
5. On July 23, 2007, Yates filed its application for hearing de novo in this case before the full Commission. This case should be included on the September 2007 Oil Conservation Commission hearing docket.

6. Since receiving Division Order No. R-12251-A, Yates has been re-evaluating its plans for further development of the North Dagger Draw-Upper Pennsylvanian Unit, including its plans to attempt to institute new waterflood operations therein. While this re-evaluation is in progress, it is impossible for Yates to comply with the provision of Order Paragraph No. 8 for it does not at this time know which wells need to be temporarily abandoned, which wells should be used for testing purposes, if any, and which wells Yates will continue to be produced during the test period.

7. Yates therefore moves the Commission for an Order staying the provisions in Order No. R-12251-A that require it to identify to the Artesia District Office the wells that it will temporarily abandon, use for testing or continue to produce during the authorized testing period until an order is entered in this case following the Commission's de novo Hearing.

WHEREFORE, Yates Petroleum Corporation moves the Commission for an order staying the provisions in order Paragraph 4 of Division Order No. R-12251-A that require it to report certain wells to the Division's District Office until an order is entered in this case following the Commission's de novo Hearing in this case.

Respectfully submitted,

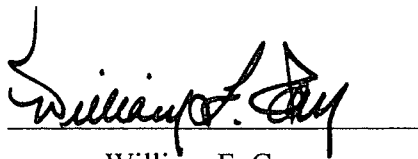


William F. Carr
Attorney for Yates Petroleum Corporation

CERTIFICATE OF SERVICE

I certify that on August 3, 2007 I served a copy of the foregoing Motion for Stay by Hand Delivery to:

Cheryl Bada, Esq.
Assistant General Counsel
Oil Conservation Division
1221 South Saint Francis Drive
Santa Fe, New Mexico 87505



William F. Carr

**BEFORE THE
OIL CONSERVATION COMMISSION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT**

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF A PILOT PROJECT IN THE NORTH DAGGER DRAW-UPPER PENNSYLVANIAN UNIT FOR PURPOSES OF ESTABLISHING PROPER WATERFLOOD INJECTION PATTERNS AND FOR A TEMPORARY EXEMPTION FROM THE PROVISIONS OF DIVISION RULES 203 CONCERNING APPROVED TEMPORARY ABANDONMENT OF WELLS, EDDY COUNTY, NEW MEXICO.

**CASE NO. 13893(De Novo)
ORDER NO. R-12251-A**

ORDER GRANTING MOTION FOR STAY

This matter having come before the Chairman of the Oil Conservation Commission pursuant to Rule 19.15.14.1221, on the Motion of Yates Petroleum Corporation for an Order staying the provisions in Order Paragraph 4 of Division Order No. R-12251-A until an order is entered following the de novo hearing in this case, and the Chairman of the Commission being fully advised in the premises, deos hereby determine that the Motion for Stay should be granted.

It is therefore ordered that Order Paragraph (4) of Order No. R-12251-A is hereby stayed until such time as an order is entered following the de novo hearing in this case.

MARK E. FESMIRE, P. E.
Chairman
Oil Conservation Commission