



June 9, 2008

VIA 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

R-12251-D

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Re: Case No. 13893 (Reopened): In the matter of Case 13893 being reopened pursuant to the provisions of Order No. R-12251-A which order authorized Yates Petroleum Corporation to conduct a 3-year pilot within a portion of the North Dagger Draw Upper Pennsylvanian Unit Area, Eddy County, New Mexico.

Dear Mr. Fesmire:

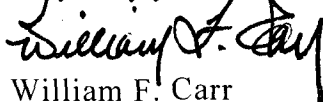
Order No. R-12251-A authorized Yates Petroleum Corporation to conduct a 3-year pilot study within a portion of the North Dagger Draw Upper Pennsylvanian Unit Area to determine proper waterflood patterns. The Division also directed Yates to appear before the Division in June 2008 and (1) present the results of the phase I testing in the pilot area, and (2) advise the Division of the status of the 3-year pilot study.

This letter is to advise the Division that Yates decided not to proceed with a pilot project in the North Dagger Draw Upper Pennsylvanian Unit Area and requests that the authority granted by Order No. R-12251-A be rescinded. Yates will continue to conduct unit operations pursuant to the Unit Agreement which was approved by Division Order No. R-12251 issued in Cases 13227 and 13228 on December 20, 2004.

Order No. R-12251-A also addressed Yates request to shut-in certain wells in the Unit Area during this pilot project instead of temporarily abandoning these wells pursuant to the procedures set out in Division Rule 19.15.4.203. The Division denied that request and required Yates, within 8 months of the effective date of Order No. R-12251-A, to temporarily abandon all wells within the North Dagger Draw Upper Pennsylvanian Unit Area except wells that were utilized to conduct authorized testing operations and those wells capable of production. Yates has complied with this directive. All wells that are not capable of production have been temporarily abandoned or plugged and abandoned in accordance with Division rules.

Your attention to this request is appreciated.

Very truly yours,


William F. Carr

cc: Mr. Pinson McWhorter
Mr. William V. Jones, Hearing Examiner