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February 5, 2003

HAND DELIVERED

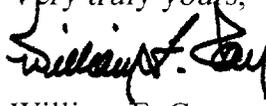
Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13018

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

Dear Ms. Wrotenbery,:

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 March 6, 2003 Examiner Hearing docket.

Very truly yours,

William F. Carr

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**

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

CASE NO. 13018

APPLICATION

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

1. The proposed Unit Area consists of 2960.97 acres, more or less, of Federal and fee lands, situated in Eddy County, New Mexico. The horizontal limits of said unit are described as follows:

Township 20 South, Range 21 East, N.M.P.M.

Section 1:	Lots 1, 2, 7, 8, SW/4 NE/4, W/2 SE/4 (E/2 Equivalent)
Section 12:	All

Township 20 South, Range 23 South, N.M.P.M.

Sections 6 and 7:	All
Section 18:	All

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 the all formations are unitized.

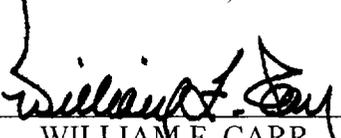
4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

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 that 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 March 6, 2003, that notice be given as required by law and the rules of the Division, and that the Arley Federal Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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ROBERT J. SUTPHIN, JR.

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ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE NO. 13018:

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Eddy County, New Mexico. Applicant seeks approval of the Arley Federal Exploratory Unit for an area comprising 2960.97 acres of Federal and Fee lands in portions of Sections 1 and 12 of Township 20 South, Range 21 East, NMPM and Sections 6, 7, and 18 of Township 20 South, Range 23 East, NMPM, which is located approximately 15 miles south of Hope, New Mexico.

CASE NO. 13018

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Eddy County, New Mexico. Applicant seeks approval of the Arley Federal Exploratory Unit for an area comprising 2960.97 acres of Federal and Fee lands in portions of Sections 1 and 12 of Township 20 South, Range 21 East, NMPM and Sections 6, 7, and 18 of Township 20 South, Range 23 East, NMPM, which is located approximately 15 miles south of Hope, New Mexico.