

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14081
ORDER NO. R-12911**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing February 21, 2008 at Santa Fe, New Mexico, before Examiners David K. Brooks and William V. Jones.

NOW, on this 25th day of February, 2008, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval of its Thurman Draw Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the (Upper Mississippian) Barnett Shale formation underlying the following-described 5,780.38 acres, more or less, of federal, state, and fee lands situated in Eddy County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 23 EAST, NMPM

Section 8: All
Section 9: All
Section 10: All
Section 15: All
Section 16: All
Section 17: All
Section 20: All
Section 21: All
Section 22: All

(3) The Applicant presented testimony by affidavit as follows.

(a) The Unit is made up of 7 tracts, 3 of which are federal (86.85%), 3 tracts are State (12.46%), and there is 1, 40-acre fee tract.

(b) The Unit Agreement has been approved by 99 percent of the working interests – the State Land Office and the Bureau of Land Management have both given preliminary approval for this Unit.

(c) The initial well will be drilled to an approximate depth of 8,750 feet at a standard well location 1200 feet from the North line and 1850 feet from the West line of Section 16, Township 26 South, Range 23 East, NMPM, Eddy County, New Mexico.

(d) The primary target for this initial well will be gas production from fractures in the Barnett Shale formation, with secondary hydrocarbon targets in shallower formations including the Wolfcamp and Bone Spring formations.

(e) The Barnett Shale appears to be in the gas generation window and the initial well is located on a flexure which could have resulted in fracturing.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Thurman Draw Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the (Upper Pennsylvanian) Barnett Shale formation underlying the following-described 5,207.37 acres, more or less, of federal, state, and fee lands situated in Eddy County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 23 EAST, NMPM

Section 8: All
Section 9: All
Section 10: All
Section 15: All
Section 16: All
Section 17: All
Section 20: All
Section 21: All
Section 22: All

(2) The plan contained in the Thurman Draw Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

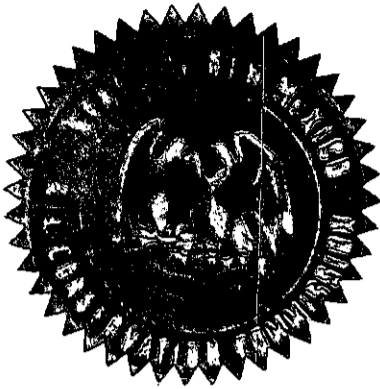
(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States Bureau of Land Management and the New Mexico State Land Office. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a long horizontal flourish extending to the right.

Mark E. Fesmire MARK E. FESMIRE, P.E.
Director

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