

**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. 13591
ORDER NO. R-12469**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 17 and December 15, 2005, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 27th day of December, 2005, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

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 ("applicant"), seeks approval of the Milsap State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 2,240 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM.

Section 25: All
Section 36: All

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM.

Section 31: All

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM.

Section 6: N/2

- (3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.
- (4) The evidence presented to support this application further demonstrates that:
 - (a) the primary objective within the Milsap State Exploratory Unit is the Atoka-Morrow interval; and
 - (b) the initial well will be drilled at a standard gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 36, Township 12 South, Range 33 East.
- (5) No other interested party appeared at the hearing or otherwise objected to the proposed unit.
- (6) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT :

- (1) Pursuant to the application of Yates Petroleum Corporation, the Milsap State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 2,240 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM.

Section 25: All
Section 36: All

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM.

Section 31: All

TOWNSHIP 13 SOUTH. RANGE 34 EAST. NMPM,
Section 6: N/2

(2) The plan contained in the unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; 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.

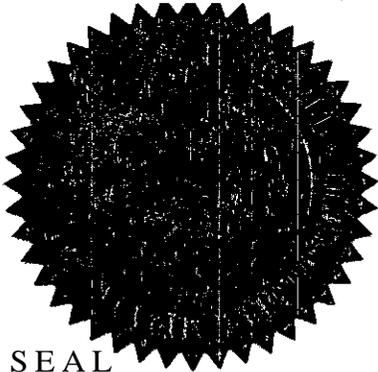
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with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

(4) All plans of (i) development and operation; (ii) creation, expansion or contraction of participating areas; or (iii) expansion or contraction of the unit area shall be submitted to the Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



for

MARK E. FESMIRE, P.E.
Director