



July 6, 2004

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

2004 JUL 6 PM 3 20

6/9/04
WFM

Re: Case 13298: Application of Yates Petroleum Corporation for approval of a unit agreement, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Response of Yates Petroleum Corporation to the Motion for Continuance of David H. Arrington Oil & Gas, Inc. in the above-referenced case.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

Enclosure

cc: Mr. Will Jones, Hearing Examiner
Gail MacQuesten, Esq.
J. Scott Hall, Esq.

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

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

CASE 13298

**RESPONSE OF YATES PETROLEUM CORPORATION
TO MOTION FOR CONTINUANCE**

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned counsel, hereby responds to the Motion of David H. Arrington Oil and Gas, Inc. ("Arrington") for a continuance of the July 8, 2004 hearing on the above-referenced application to the examiner hearing docket scheduled for July 22, 2004.

1. The grounds cited by Arrington in its Motion for Continuance are untrue. Arrington has been provided data and has agreed to participate in the unit. Arrington is only using this motion for a continuance to try to exploit the Division's hearing process to obtain confidential data from Yates - data to which Arrington is not entitled.

2. Yates proposes the formation of the Boddington Federal Exploratory Unit to be comprised of 3,200-acres more or less of Federal and Fee lands located in Eddy County, New Mexico. The horizontal limits of the proposed unit are described as follows:

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

Section 5:	All
Sections 8 and 9:	All
Section 17:	All
Section 20:	All

A plat showing the subject area is attached hereto as Exhibit A.

3. When Yates initially discussed this unit with Arrington, Yates proposed that the unit include the Arrington acreage in Sections 16 and 29 of Township 20 South, Range 29 East, NMPM. Arrington refused to include these lands. Instead, Yates believes that Arrington has staked well locations on these properties. As shown on the attached plat, these Arrington tracts are located to the South and East of the proposed unit boundaries. By not committing these tracts to the unit plan, Arrington will be able to develop these lands and will not share the proceeds with the other owners in the unit area.

4. Arrington contends that it seeks "substantive information" from Yates to assess its position on the proposed unit. The data it seeks is proprietary well information from the Orval "BDQ" State Com Well No. 1 recently drilled by Yates in Section 32 of Township 20 South, Range 23 East, NMPM. This well is south of the Arrington acreage in Section 29. Arrington seeks to delay the hearing on this application to enable it to obtain from Yates proprietary data on the Orval Well.

5. Arrington states that it was “dis-invited” from attending the BLM area and depth presentation in Carlsbad where the basis for the unit was discussed. This is not true. Arrington was never invited in the first place. It had decided not to include certain acreage in the unit area and the BLM has agreed to keep, and is keeping, the data provided by Yates confidential.

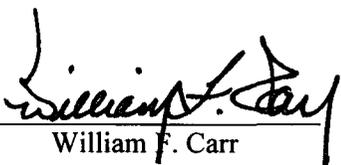
6. Arrington complains that Yates has not provided data to it. However, in its May 13th letter to Arrington, Yates asked Arrington to call if it would like to visit regarding the unit proposal. Other than one call from Arrington to inquire if the data presented to the BLM was confidential, Arrington has not contacted Yates concerning the proposed unit.

7. While Arrington states “Arrington is attempting to evaluate the unit proposal, but has not been provided with sufficient information to determine whether it supports or opposes the application.” Arrington’s conduct shows something quite different. Although Arrington complains that “no substantive information has been provided by the Applicant to Arrington for evaluation,” Arrington apparently has sufficient information available to it to have decided to participate in the Unit. Attached as Exhibit B is a letter from Arrington dated June 30, 2004 that is in response to a letter from Yates dated June 17, 2004. In this letter, Arrington states that it “would like to participate in the captioned unit well.” The captioned well is the Boddington Federal Exploratory Unit Well No. 1 – the initial unit well. It will be drilled in Section 17. Arrington owns no interest in Section 17 and the only way it can participate in this well – as it states it has elected to do -- is to join the unit.

8. Aware that the time available to Yates to form this unit is short, Arrington is attempting to use the Division’s hearing procedures for its own gain. It seeks this delay in the Division’s hearing on the Yates application for the sole purpose of forcing Yates to provide it with proprietary data. This is data that Arrington does not need to assess its position on the proposed unit but, instead, wants this information to confirm its plans to drill wells on Sections 16 and 29 -- acreage which Arrington declined to commit to this unit plan and wells that will compete with unit wells.

WHEREFORE, Yates Petroleum Corporation requests that Arrington’s Motion for Continuance be denied and that the case proceed to hearing on July 8, 2004.

Respectfully submitted,
Holland & Hart, LLP

By: 
William F. Carr

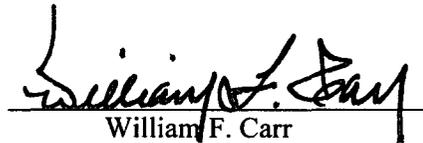
ATTORNEYS FOR YATES PETROLEUM
CORPORATION
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

CERTIFICATE OF SERVICE

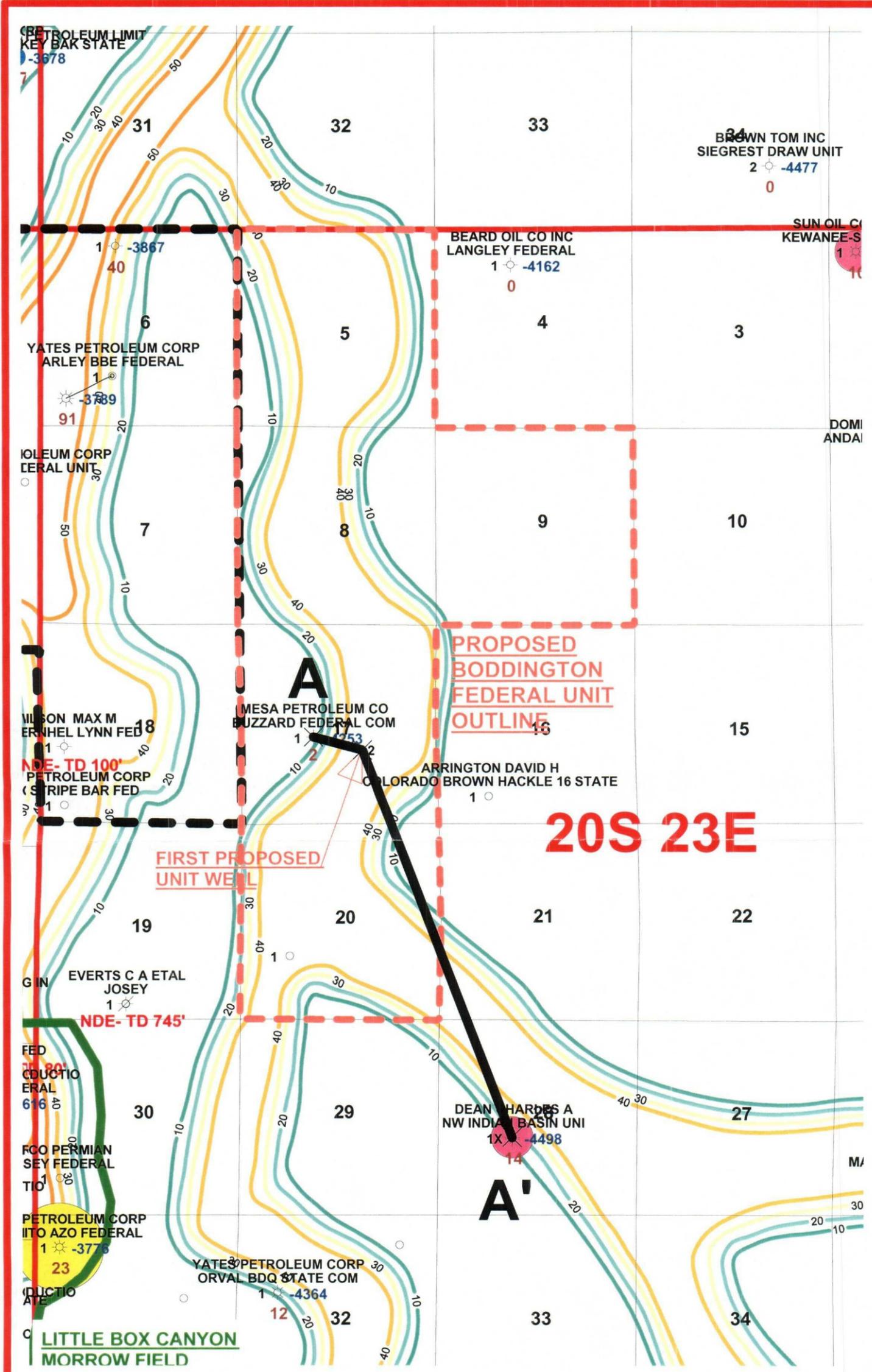
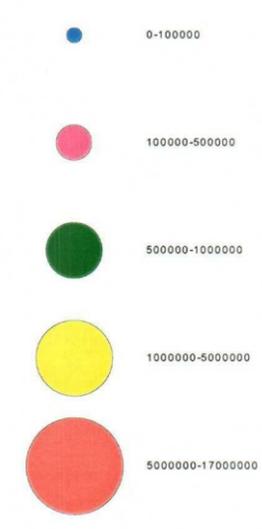
I hereby certify that a true and correct copy of the foregoing was hand delivered or faxed to counsel of record on the 6th day of July 2004, as follows:

J. Scott Hall, Esq.
Miller Stratvert P.A.
Attorneys for David H. Arrington Oil & Gas, Inc.
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
(505) 989-9614
Facsimile (505) 989-9857

Gail MacQuesten, Esq.
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
By Hand Delivery


William F. Carr

JFH MORROW GAS CUM BUBBLE <BOX CANYON>
 Straight hole well
 Cum Gas Volume MRRW, Production

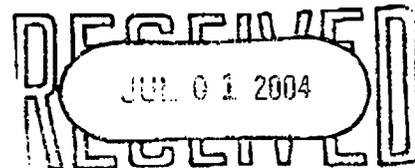


Yates Petroleum Corporation		
Proposed Boddington Federal Unit Eddy County, New Mexico Net Sand Isopach Lower Morrow Interval GR <= 50 api CI = 10 ft		
Author: John Humphrey		Date: 14 June, 2004
	Scale: 1"=3000'	

EXHIBIT 1

DAVID H. ARRINGTON OIL & GAS, INC.

P.O. BOX 2071, MIDLAND, TEXAS 79702
OFF (432) 682-6685
FAX (432) 682-4139



June 30, 2004

VIA: CERTIFIED MAIL

Robert Bullock
Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210-2177

Re: UNIT WELL PROPOSAL
Boddington Federal Exploratory Unit #1
T-20-S, R-23-E
Section 5, 8, 9, 17 and 20: All
Eddy County, New Mexico

Dear Robert:

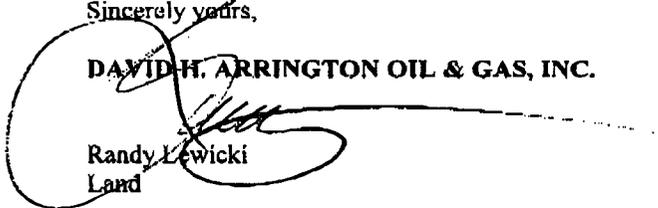
Reference is made to your letter dated June 17, 2004, regarding your unit well proposal. David H. Arrington Oil & Gas, Inc. ("Arrington") would like to participate in the captioned unit well, however we are currently negotiating a participation agreement with an industry partner that covers among other lands our leasehold located in Section 20. They have received a copy of your June 17, 2004 mailing and are on-board.

Therefore, please be advised that your proposed unit and operating agreement Exhibit "A"'s could change in the event we reach closure on this trade. We should know something definitive on or before July 8, 2004 and will advise accordingly.

Whether we reach closure on our participation agreement or not, your Exhibit "B" to the unit agreement will need to reflect the ORRI's our Section 20 tract is subject to and we will need to address same in the unit operating agreement as well.

Should you have any questions or comments please contact me at (432) 682-6685 x330.

Sincerely yours,

DAVID H. ARRINGTON OIL & GAS, INC.

Randy Lewicki
Land

EXHIBIT 2