

Summary -- Case 13629

1. Origin = Morrow/Atoka Gas Play in Tatum area of Lea County
Yates has drilled 100+ gas wells

2. Yates found a Bough B oil zone uphole in Judson AUU State #2

3. Yates seeks
 - a. 160-acre spacing for oil from Bough B (Permo Penn)
 - b. Setbacks of 330 feet from outer boundaries (Reentries)
 - c. Setback of 10 feet from inner (quarter/quarter) boundaries
 - d. Standard GOR limit of 2000 ratio
 - e. Standard depth-bracket oil allowable (515 BOPD)

4. Holding acreage not an issue – few small leases

5. Data to look at
 - a. Judson AUU State #2 has produced since late October 2005
 - b. Cumulative is 7 MBO, 10 MMcf and 40 MBW in 2+ months
 - c. January rate is 107 BOPD, 162 Mcf/d and 450 BWPD
 - d. Calculate EUR = 51 MBO
 - e. Drainage area is 151 acres
 - f. Single-well pool at this time

Yates Petroleum Corporation
NMOCD Case 13629

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13629 Exhibit No. 1
Submitted by:
YATES PETROLEUM CORPORATION
Hearing Date: January 19, 2006