

April 11, 2006

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Case 13706

2006 APR 11 PM 4 59

Re: Application of Yates Petroleum Corporation For Approval of a Pilot Infill Drilling Project,
Chaves County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Yates requests that this application be placed on the docket for the May 11, 2006 examiner hearings.

Sincerely,


Ocean Munds-Dry

Enclosures

cc: Dave Boneau
Yates Petroleum Corporation

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

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION, FOR APPROVAL OF A PILOT PROJECT INCLUDING AN EXCEPTION FROM RULE 4, OF THE SPECIAL RULES AND REGULATIONS FOR THE PECOS SLOPE-PENNSYLVANIAN POOL FOR PURPOSES OF ESTABLISHING A PROGRAM TO DETERMINE PROPER WELL DENSITY AND WELL LOCATION REQUIREMENTS IN PENNSYLVANIAN WELLS, CHAVES COUNTY, NEW MEXICO.

CASE NO. 13706

2011 APR 11 PM 4:59

APPLICATION

Yates Petroleum Corporation ("Yates"), through its undersigned attorneys, hereby makes application for an order approving a pilot project including an exception from Rule 4 of the Special Rules and Regulations for the Pecos Slope-Pennsylvanian Pool for purposes of establishing a program to determine proper well density and well location requirements for Pennsylvanian wells, Chaves County, New Mexico. In support of its application, Yates states:

1. By Division Order R-11721, issued in Case No. 12751, dated February 6, 2002, the Pecos Slope-Pennsylvanian Pool was created for the production of oil from the Pennsylvanian Cisco formation in the W/2 of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico and temporary special rules and regulations were promulgated for this pool. The Pecos Slope-Pennsylvanian Pool has been expanded from time to time and includes lands located in:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 26: W/2, SE/4
Section 27: W/2, SE/4
Section 35: W/2

2. Pursuant to Division Order R-11721-A, dated April 28, 2003, the Special Rules and Regulations for the Pecos Slope-Pennsylvanian Pool were continued in full force and effect until further order of the Division.

3. The Special Rules and Regulations provide that each well shall be dedicated to a 320-acre spacing and proration unit and that each well shall be located no closer than 660 feet to the outer

boundary of the quarter-section on which the well is located, and no closer than 10 feet to any governmental quarter-quarter section line or subdivision inner boundary.

4. Rule 4 of the special rules and regulations allows one infill well on a 320-acre unit provided that the well is located in the quarter section of the 320-acre unit not containing the initial well.

4. Yates is operator of the following wells completed in the Pennsylvanian-Cisco formation:

- a. the George QJ Federal #10 Well (API No. 30-005-63368), located 660 feet from the South line and 1500 feet from the West line in Section 26, Township 6 South, Range 25 East;
- b. the George QJ Fed Deep Com #2Y Well (API No. 30-005-61400), located 660 feet from the South line and 710 feet from the East line in Section 27, Township 6 South, Range 25 East;
- c. the Powers OL Fed Deep #6 Well (API No. 30-005-61548), located 1980 feet from the South line and 1980 feet from the West line, in Section 27, Township 6 South, Range 25 East; and
- d. the George QJ Fed Com #9 Well (API No. 30-005-63435), located 660 feet from the North line and 1980 feet from the West line, Section 35, Township 6 South, Range 25 East.

5. Yates seeks authority to institute a pilot infill drilling program to allow up to four wells to be drilled on a spacing unit with an infill well [two wells] located in the same quarter section. Yates specifically requests authority to drill the following described two wells as a part of its infill drilling program:

- a. the George QJ Federal #12 Well, to be located 990 from the South line and 660 from the West line of Section 26, Township 6 South, Range 25 East; and
- b. the George QJ Fed Com #13 Well, to be located 990 feet from the North line and 660 from the West line, Section 35, Township 6 South, Range 25 East.

6. Yates proposes to dedicate the George QJ Federal #12 Well to an existing spacing and proration unit in the W/2 of said Section 26. Yates proposes to dedicate the George QJ Fed Com #13 Well to an existing spacing unit in the W/2 of Section 35.

Yates does not seek an increase in the allowable for a standard 320-acre proration unit.

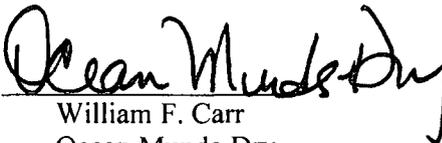
7. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

8. Yates has notified all affected parties pursuant to Division Rule 1210.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 11, 2006 and after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

HOLLAND & HART LLP

By: 
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ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE 13706

Application of Yates Petroleum Corporation for approval of a pilot project including an exception from Rule 4, of the Special Rules and Regulations for the Pecos Slope-Pennsylvanian Pool for Purposes of Establishing a Program to Determine Proper Well Density and Well Location Requirements in Pennsylvanian Wells, Chaves County, New Mexico. Applicant in the above-styled cause seeks an order authorizing a pilot infill drilling program in the Pecos Slope Pennsylvanian Pool and an exception to Special Rules and Regulations for said pool to allow four wells to be drilled an a spacing unit with two wells in the same quarter section. Yates specifically seeks authorization to drill the George QJ Federal Well No. 12, to be located 990 from the South line and 660 feet from the West line of Section 26, Township 6 South, Range 25 East, NMPM, and the George QJ Fed Com Well No. 13, to be located 990 feet from the North line and 660 feet from the West line, Section 35, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico. Said wells are located approximately 21 miles northeast of Roswell, New Mexico.