

June 9, 2009

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

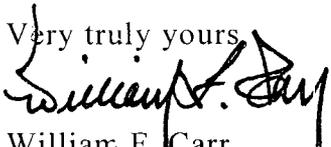
Case 14338

2009 JUN 9 PM 3 34
RECEIVED

Re: Application of Yates Petroleum Corporation for the adoption of Special Pool Rules, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the docket for the July 9, 2009 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. J. O. Barnett
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 THE ADOPTION OF SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO.

APPLICATION

Case 14338

YATES PETROLEUM CORPORATION ("Yates"), by its undersigned attorneys, hereby files this application with the Oil Conservation Division seeking an order adopting Special Pool Rules and Regulations for the Llano-Upper Pennsylvanian (Canyon) Pool including provisions for 80-acre oil spacing, and in support of its application states:

1. The Llano-Pennsylvanian Pool, was created by Order (No. R-3043, dated March 1, 1966. By Order No. R- 12223, dated November 1, 2004, the vertical limits of the pool were contracted to include only the Cisco, Canyon and Strawn formations and the pool was redesignated the Llano-Upper Pennsylvanian Pool (Pool Code 39400). The horizontal limits of the pool were expanded from time to time and the pool is comprised of the following acreage:

Township 11 South, Range 35 East, NMPM

Section 31: NE/4
Section 32: NW/4

3. In October 2008, Yates reentered its Reba BNU State Com. Well No. 5 (API No. 30-025-31243) and completed the well as a producing oil well in the Llano-Upper Pennsylvanian Pool at an approved unorthodox location 2300 from the South line and 1650 from the West line (Unit K) of Section 32, Township 11 South, Range35 East, N.M.P.M.

4. The Reba BNU State Com. Well No. 5 has produced since January 15, 2009 and is capable of draining in excess of 40 acres.

5. Yates seeks the adoption of Special Pool Rules and Regulations which provide for oil spacing units comprised of 80 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section being a legal subdivision of the U. S. Public Lands Surveys with new wells located no closer than 330 feet from the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

6. Approval of the requested special spacing rules will increase the allowable for this well and enable Yates to produce it at unrestricted rates in the future thereby producing the reserves that can be efficiently recovered by this well.

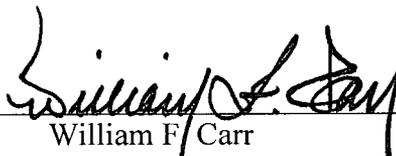
7. Notice of this application has been provided in accordance with the provisions of 19.15.4.12.A(4)(a) NMAC to Reed and Stevens, Inc. Post Office Box 1518, Roswell, New Mexico 88201, the only other Division-designated operator in the Pool. There are no other owners of interest in the mineral estate in existing spacing units with producing wells.

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

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 9, 2009, that notice be given as required by law and the rules of the Division, and that the application be approved.

Respectfully submitted,

HOLLAND & HART LLP

By: 
William F. Carr

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Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CASE 14338

Amended Application of Yates Petroleum Corporation for the adoption of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause seeks adoption of Special Pool Rules and Regulations for the Llano-Upper Pennsylvanian Pool located in the NE/4 of Section 31 and the NW/4 of Section 32, Township 11 South, Range 35 East, NMPM, including provisions for 80-acre oil spacing and special well location requirements. Said pool area is located approximately 8 miles northwest of Tatum, New Mexico.