



April 23, 2010

**HAND-DELIVERED**

*Case 14473*

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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

Re: Application of Yates Petroleum Corporation for approval of a unit agreement,  
Eddy 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 a legal advertisement. Yates requests that this matter be placed on the docket for the May 27, 2010 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Ms. Janet Richardson  
Yates Petroleum Corporation

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

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

CASE NO. 14473

**APPLICATION**

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order approving its Herradura Unit and in support of this application states:

1. The proposed Unit Area consists of 7,681.37 acres, more or less, of Federal, State of New Mexico, and Fee lands, situated in Eddy County, New Mexico. The unitized interval includes all formations from the surface to the base of the Precambrian formation and the horizontal limits of said unit are described as follows:

**Township 23 South, Range 25 East, N.M.P.M.**

Section 35: All  
Section 36: All

**Township 24 South, Range 25 East, N.M.P.M.**

Section 1: Lots 1 through 4, S/2N/2, S/2  
Section 2: Lots 1 through 4, S/2N/2, S/2  
Section 3: S/2N/2, S/2  
Section 4: Lots 1 and 2, S/2 NE/4, SE/4  
Section 9: NE/4, S/2  
Section 10: All  
Section 11: All  
Section 15: All  
Section 16: All  
Section 17: All  
Section 18: Lots 1 through 4, E/2W/2, E/2

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Yates Petroleum Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in all formations are unitized.

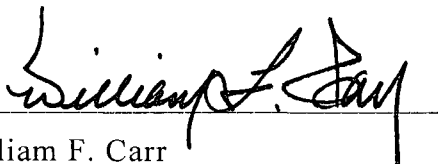
4. The unit boundaries are consistent and substantially supported by the geological limits of the unitized formations.

5. The proposed Herradura Unit has been designated as an area logically subject to exploration and development under the provisions of the Mineral Leasing Act by the Bureau of Land Management and the New Mexico Commissioner of Public Lands has granted preliminary approval of the Unit Agreement as to form and content.

6. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and it will protect the correlative rights of all parties concerned.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 27, 2010, that notice be given as required by law and the rules of the Division, and that the Herradura Unit be approved.

Respectfully submitted,  
HOLLAND & HART, LLP

By: 

William F. Carr  
Ocean Munds-Dry  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421  
ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

CASE NO. 14423

**Application of Yates Petroleum Corporation for approval of a Unit Agreement, Eddy County, New Mexico.**

Applicant seeks approval of the Herradura Unit for all formations from the surface to the base of the Precambrian formation in an area comprising 7,681.37 acres of Federal, State of New Mexico, and Fee lands comprised of all or portions of Sections 35 and 36 of Township 23 South, Range 25 East, and Sections 1 through 4, 9 through 11, and 15 through 18 of Township 24 South, Range 25 East, NMPM, which is located approximately 15 miles south and west of Carlsbad, New Mexico.

MBF

CVSS Draft 6/10/10  
TW, 6-11-10  
HJB  
6-11-10

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:

DE 6/11/10

CASE NO. 14473  
ORDER NO. R-13270

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing May 27, 2010 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this \_\_\_\_ day of June, 2010, 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, seeks approval of its Herradura Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Bone Spring formation underlying the following-described 7,681.37 acres, more or less, of State, Federal, and Fee lands situated in Eddy County, New Mexico:



Township 23 South, Range 25 East, NMPM

Section 35: All  
Section 36: All

Township 24 South, Range 25 East, NMPM

Section 1: Lots 1 through 4, S/2 N/2, S/2  
Section 2: Lots 1 through 3, NE/4 NW/4, S/2 N/2, S/2  
Section 3: S/2 N/2, S/2

This is correct  
per ONGARD  
WWT

4 S/2 N/2, S/2

NOT The  
Same as  
The  
Affidavit  
Exhibit I

Section 4: Lots 1 and 2, S/2 NE/4, SE/4  
Section 9: NE/4, S/2  
Section 10: All  
Section 11: All  
Section 15: All  
Section 16: All  
Section 17: All  
Section 18: Lots 1 through 4, E/2 W/2, E/2

(3) The Applicant presented testimony by affidavit as follows.

a. Yates Petroleum Corporation is the designated Unit operator and all of Yates's interests are committed to the Unit. Yates, Devon Energy Production Company, and Chesapeake Exploration, LP are the majority working interest owners. ✓

b. The State of New Mexico lands consist of 73 percent of the acreage and Federal lands consist of 21 percent. The remainder of the acreage is Fee owned. The State Land Office has given preliminary approval for this Unit and the Bureau of Land Management has designated this as a logical unit area. *100% of the working and royalty interests within the Unit Area have been committed to the Unit.*

c. The initial well, the Herradura Unit Well No. 1H, is planned to be drilled horizontally from a standard surface location within the NE/4 NE/4 of Section 16, Township 24 South, Range 25 East, NMPM, Eddy County, New Mexico, in a northerly direction to a bottom hole location within the NE/4 NE/4 of Section 9. The vertical hole will be drilled to an approximate depth of 6500 feet to test all formations from the surface to within the Bone Spring formation.

d. The primary target is oil production from the Bone Spring formation Avalon shale.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Herradura Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Bone Spring formation underlying the following-described 7,681.37 acres, more or less, of State, Federal, and Fee lands situated in Eddy County, New Mexico:

**Township 23 South, Range 25 East, NMPM**

Section 35: All

Section 36: All

**Township 24 South, Range 25 East, NMPM**

Section 1: Lots 1 through 4, S/2 N/2, S/2

Section 2: Lots 1 through 3, NE/4 NW/4, S/2 N/2, S/2 ← ?

Section 3: S/2 N/2, S/2

Section 4: Lots 1 and 2, S/2 NE/4, SE/4

Section 9: NE/4, S/2

Section 10: All

Section 11: All

Section 15: All

Section 16: All

Section 17: All

Section 18: Lots 1 through 4, E/2 W/2, E/2

OK

(2) The plan contained in the Herradura Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; 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 of 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 thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office and the Bureau of Land Management. 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.

Case No. 14473

Order No. R-

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.  
Director

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