

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

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IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

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

Case No. 14473

**MOTION TO REOPEN CASE**

Applicant Yates Petroleum Corporation (“Yates”) moves the Division to reopen this case for the sole purpose of requesting the Division to issue an amended order which recognizes the base of the Precambrian formation as the vertical depth of the unitized interval of the previously approved Herradura Unit. In support of its motion, Yates states:

1. On April 23, 2010, Yates filed an application requesting Division approval of its Herradura Exploratory Unit Agreement. The application states that “[t]he unitized interval includes all formations from the surface *to the base of the Precambrian formation.*” Application at 1, ¶ 1 (emphasis added).

2. The Division conducted a hearing on Yates’ application on May 27, 2010. There was no opposition to the application.

3. At the hearing, Yates presented the Affidavit of D’nese Fly, who is the Yates petroleum geologist responsible for the Herradura Unit. *See* Affidavit of D’nese Fly, Yates Exhibit No. 1. Ms. Fly stated in her affidavit that Yates proposed “the formation of the Herradura Unit to test all formations from the surface into the Bone Spring formation,” and that

Yates' "initial unit well, the Herradura Well #1H, will be drilled . . . to an approximate depth of 6,500 feet to test all formations from the surface into the Bone Spring formation." *Id.* at 1-2.

4. Ms. Fly's averments in her affidavit regarding the depth of Yates' initial unit well to test the Bone Spring formation were not intended to alter – and did not alter – Yates' request in its application that the Division approve a unitized interval that includes all formations from the surface to the base of the Precambrian formation.

5. On June 15, 2010, the Division Director issued Order No. R-13270 approving the Herradura Exploratory Unit Agreement. In pertinent part, the order approves the unit agreement "for all oil and gas in all formations from the surface to the base of the Bone Spring formation." Order No. R-13270 at 3, Ordering ¶ 1.

6. Yates' application requests the Division's approval of a unitized interval that includes all formations from the surface to the base of the Precambrian formation. While its initial unit well to test the Bone Spring formation will not be drilled to that depth, Yates reasonably seeks the option of drilling in the future to the base of the Precambrian formation, if appropriate, in order to maximize oil production in the Herradura Unit.

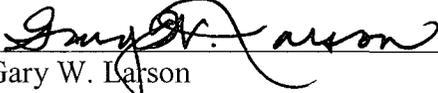
7. Yates is not filing this motion for the purpose of requesting any new or additional relief. Rather, Yates seeks to reopen the case to (i) reassert the request in its application that the Division recognize the unitized interval in the Herradura Unit as including all formations from the surface to the base of the Precambrian formation, and (ii) request the Division to issue an amended order approving that unitized interval.

8. The issuance of an amended order approving the unitized interval identified in Yates' application will prevent waste and will protect correlative rights within the lands assigned to the Herradura Unit.

WHEREFORE, Yates respectfully requests that the Division:

- A. Grant its motion;
- B. Set the matter for hearing;
- C. Enter an amending order recognizing the unitized interval requested by Yates in its application; and
- D. Afford Yates such additional relief as the Division deems appropriate.

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