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WRITER:

Gary W. Larson,  
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February 2, 2011

**VIA HAND DELIVERY**

*Case 14610*

Florene Davidson  
Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Re: Yates Petroleum Corporation Application

Dear Florene:

On behalf of Yates Petroleum Corporation, I am enclosing an application for approval of the Gambler State Exploratory Unit and a proposed legal notice. As stated in the application, Yates requests that the application be set for hearing on the March 3, 2011 Examiner docket.

Thank you for your attention to this matter.

Sincerely,

*Gary W. Larson*  
Gary W. Larson

GWL:js  
Encls.

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**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, LEA COUNTY,  
NEW MEXICO**

Case No. 14610

**APPLICATION**

Yates Petroleum Corporation ("Yates") applies for an order approving the Gambler State Exploratory Unit. In support of its application, Yates states:

1. The proposed Unit Area consists of 1,920 acres, more or less, of State of New Mexico land situated in Lea County, New Mexico. The unitized interval includes all formations from the surface to the base of the Mississippian formation. The horizontal limits of the Unit are as follows:

**Township 11 South, Range 32 East, NMPM**

Section 28: W/2  
Section 29: All  
Section 32: All  
Section 33: W/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. Yates is designated as the Unit Operator in the Unit Agreement. All oil and gas in all formations are unitized.

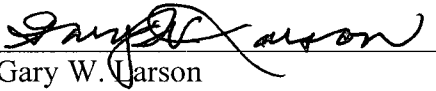
4. The Unit boundaries are consistent with and substantially supported by the geological limits of the unitized formations.

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5. The Unit Agreement and the unitized operation and management of the Unit Area will be in the interests of conservation and the prevention of waste, and will protect the correlative rights of all parties concerned.

WHEREFORE, Yates requests that this application be set for hearing before a Division Examiner on March 3, 2011, that notice be given as required by law and the Division's rules, and that the Gambler State Exploratory Unit be approved.

HINKLE, HENSLEY, SHANOR &  
MARTIN, LLP

A handwritten signature in black ink, appearing to read "Gary W. Larson", is written over a horizontal line.

Gary W. Larson  
P.O. Box 2068  
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*Counsel for Yates Petroleum Corporation*

**PROPOSED ADVERTISEMENT**

**CASE NO. 14610 : Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea County, New Mexico.** Applicant seeks approval of the Gambler State Exploratory Unit for all formations from the surface to the base of the Mississippian formation in an area comprising 1,920 acres, more or less, of State of New Mexico land situated in the W/2 of Section 28, all of Sections 29 and 32, and the W/2 of Section 33 of Township 11 South, Range 32 East, NMPM in Lea County. The Unit is located approximately 23 miles northwest of Tatum, New Mexico.

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## Davidson, Florene, EMNRD

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**From:** Gary Larson [glarson@hinklelawfirm.com]  
**Sent:** Thursday, February 03, 2011 11:28 AM  
**To:** Ezeanyim, Richard, EMNRD  
**Cc:** Brooks, David K., EMNRD; Davidson, Florene, EMNRD  
**Subject:** Yates Petroleum Application

*Case 14610*

Richard,

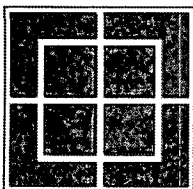
Yesterday I filed an application by Yates Petroleum for approval of the Gambler State Exploratory Unit, and requested that the application be heard on the March 3 Examiner docket. This morning Florene informed me that the application will be heard on the March 17 docket because it was not filed on or before February 1, ie., more that 30 days before the March 3 hearing date.

I spoke to David about an exception to the thirty-day rule, and he suggested that I send you an email requesting an exception. The circumstances presented are that, faced with April 1 deadlines in three of the State leases within the proposed unit, Yates has been working to put together a unit agreement and obtain the approval of all of the other working interest owners. The application was filed as soon as that was accomplished, on the thirtieth calendar day before March 3 (as David correctly noted, the filing date of February 2 is not counted in computing the thirty days). I requested the March 3 hearing date so that there will be sufficient time for the issuance of a Division order, assuming of course that the application will be approved, and obtaining final approval of the unit agreement by the State Land Office.

I respectfully request that you make an exception to the thirty-day rule in this instance and put the Yates application on the March 3 docket. Because the Gambler State Exploratory Unit is a voluntary unit, with 100% of the working interests participating, I will be presenting the case by affidavit.

Thank you for your consideration of my request.

Gary



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