



March 10, 2004

VIA HAND DELIVERY

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED

MAR 11 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505**Re: Oil Conservation Division Case No. 12955 --Status Report and Request for Dismissal**

Dear Mr. Stogner:

Following the examiner hearing in this case, Yates Petroleum Corporation and the Oil Conservation Division entered (i) a Stipulation and Agreement and a (ii) Supplemental Stipulation and Agreement that provided that Yates would bring each of the inactive wells involved in this case into compliance with Division Rules by April 30, 2003. Copies of these agreements are enclosed. All but one well was brought into compliance with Division Rule 201.B some time ago. The remaining well, the Benson Deep AAS Federal Well No. 1 (API No. 30-015-23371) involved issues with other interest owners in the dedicated spacing unit who opposed plugging of the well. Yates has kept the Division advised of its efforts to bring this well into compliance.

Yates recently resolved this impasse with the other owners in the dedicated spacing unit and has re-entered this well and returned it to production status. Attached is a copy of the Bureau of Land Management Form 3160-5 (Sundry Notices and Reports on Wells) that describes the work performed on the wells and confirms that Yates has completed this re-entry.

Accordingly, pursuant to paragraph 6 of the October 24, 2002 Supplemental Settlement Agreement, Yates asks the Division to request the dismissal of Case No. 12955 without prejudice.

Very truly yours,

William F. Carr

Enclosure

cc: David K. Brooks, Esq.
Gail MacQuesten, Esq.
Mr. Randy Patterson

STIPULATION AND AGREEMENT

This Stipulation and Agreement, entered into between the New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico ("the Division") and Yates Petroleum Corporation ("Yates") in connection with, and in partial settlement of, Division Case No. 12955

WITNESSETH:

Whereas:

- A. Yates is the operator of the wells identified on Exhibit "A" hereto ("Inactive Wells") and Exhibit "B" hereto ("Shut-In Wells").
- B. Applicant has filed Case No. 12955 seeking an order directing Yates to bring all of the Inactive Wells and Shut-In Wells into compliance with Division Rule 201.B, by either restoring the wells to production, causing them to be plugged and abandoned, or placing them in temporary abandonment status under Division Rule 203.
- C. Applicant and Yates have entered into this agreement in order to partially resolve the issues in Case No. 12955, and to define the issues remaining to be resolved.

Now, Therefore:

- 1. Yates agrees and stipulates that each of the Inactive Wells and each of the Shut In Wells has been inactive for a period of one year plus ninety (90) days, in the sense that (1) there has been no actual production of oil or gas therefrom during that period and (2) there has been no injection of fluids into any such well pursuant to any Division-approved injection permit or order.
- 2. Yates has informed the Division, and the Division does not dispute, that each of the Shut-In Wells is properly shut-in pursuant to the terms of Yates' leases, and that it is necessary to retain such wells in shut-in status, and not to plug and abandon the same, in order to maintain the affected leases in force.
- 3. Yates hereby agrees that it will cause each of the Inactive Wells (specifically described on Exhibit A) to be brought into compliance not later than April 30, 2003, by either (a) restoring such well to actual production, (b) causing same to be plugged and abandoned and the site thereof to be remediated in full compliance with Division Rule 202, or (c) causing same to be temporarily abandoned in compliance with Division Rule 203.
- 4. Yates shall cause a minimum of eight (8) wells to be brought into compliance during each calendar month, beginning with the month of October, 2002. If more than

eight wells are brought into compliance during any month, the wells in excess of the eight required herein shall be credited to Yates' obligation hereunder for succeeding months, provided that all of the Inactive Wells shall be brought into compliance by April 30, 2003, except as provided in Paragraph 6 below. A well shall be considered to be in compliance when (a) all necessary work has been performed to bring the well into compliance; (b) all necessary reports have been filed with the appropriate district office of the Division and (c) in the case of a plugged well, Yates has reported to the district office of the Division that the site is ready for final compliance inspection, or (d) in the case of a well restored to production, actual production has commenced.

5. Yates further agrees (a) to report monthly to the Director of the Division on the progress made toward bringing the Inactive Wells into compliance and (b) to immediately notify the Division in writing of any event which prevents or delays its performance pursuant to Paragraph 4.

6. Yates shall not be required to comply with the requirements of Paragraph 4 hereof by April 30, 2003 for any of the Inactive Wells if (a) Yates is unable to plug and abandon such well because the Division has not completed its review and approval of forms filed by Yates for the well, or (b) the plugging program for the well has not been approved by the Division, and Yates and Division personnel are actively working to resolve administrative or mechanical issues concerning the actions required to bring the well into compliance.

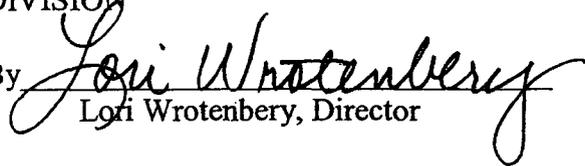
7. Yates agrees that the terms above (Paragraphs 1 through 6 inclusive and this paragraph) may be incorporated in any order issued by the Division in Case No. 12955, and that, in the event of non-compliance with the terms of said paragraphs, the same may be enforced by civil penalty pursuant to the provisions of the New Mexico Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

8. With respect to the Shut-In Wells, Yates contends that such wells are in compliance with Division Rule 201 by virtue of their status as shut-in gas wells allowed to be maintained as such under the terms of the governing leases and Yates' compliance with the terms of the shut-in clauses of the respective leases. The Division disagrees with that contention, and contends that the Shut-In Wells, to be in compliance with Division rules, must be placed in "temporary abandonment" status.

In WITNESS WHEREOF the parties have executed this instrument to be effective as of October 24, 2002.

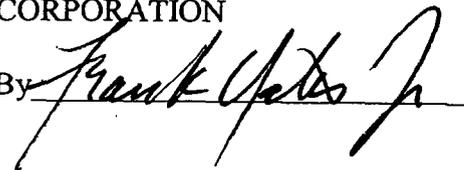
NEW MEXICO OIL CONSERVATION
DIVISION

By


Lori Wrotenbery, Director

YATES PETROLEUM
CORPORATION

By



SUPPLEMENTAL STIPULATION AND AGREEMENT

This Supplemental Stipulation and Agreement, entered into between the New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico ("the Division") and Yates Petroleum Corporation ("Yates") in connection with, and in partial settlement of, Division Case No. 12955

WITNESSETH:

Whereas:

- A. Yates is the operator of the wells identified on Exhibit "A" hereto ("Shut-In Wells).
- B. Applicant has filed Case No. 12955 seeking an order directing Yates to bring all of its inactive and shut-in wells, including the Shut-In Wells described on Exhibit A, into compliance with Division Rule 201.B, by either restoring the wells to actual production, causing them to be plugged and abandoned, or placing them in temporary abandonment status under Division Rule 203.
- C. Applicant and Yates entered a Stipulation and Agreement dated October 24, 2002, thereby satisfactorily resolving all issues in Case No. 12955 except the status of the Shut-In Wells.
- D. Applicant and Yates now desire to resolve the issue of the Shut-In Wells.

Now, Therefore:

- 1. Yates agrees and stipulates that each of the Shut In Wells has been inactive for a period of more than one year plus ninety (90) days, in the sense that (1) there has been no actual production of oil or gas therefrom during that period and (2) there has been no injection of fluids into any such well pursuant to any Division-approved injection permit or order.
- 2. Yates has informed the Division, and the Division does not dispute, that each of the Shut-In Wells is properly shut-in pursuant to the terms of Yates' leases, and that it is necessary to retain such wells in shut-in status, and not to plug and abandon the same, in order to maintain the affected leases in force.
- 4. With respect to the Shut-In Wells, Yates contends that such wells are in compliance with Division Rule 201 by virtue of their status as shut-in gas wells allowed to be maintained as such under the terms of the governing leases and Yates' compliance with the terms of the shut-in clauses of the respective leases. The Division disagrees with

that contention, and contends that the Shut-In Wells, to be in compliance with Division rules, must be placed in "temporary abandonment" status.

5. To avoid further proceedings and to protect fresh water, public health and the environment, Yates agrees to comply with all of the testing and reporting requirements of Rule 203 with respect to all of the Shut-In Wells on or before April 30, 2003, in the same manner and to the same effect as if Yates were applying to temporarily abandon said wells. Yates further agrees to perform subsequent tests and make subsequent reports from time-to-time as would be required by Rule 203 (as same now exists or may be hereafter amended) so long as such well remains shut-in. Notice of Intention to conduct such tests, and Final Reports of such tests shall be filed on Division form C-103, designated "Other - Shut-In Test," or similar designation, and need not be designated "Temporary Abandonment."

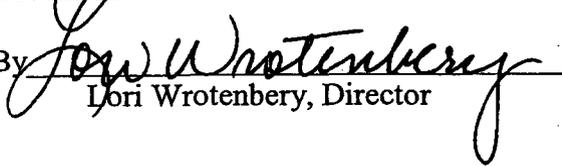
6. Upon full compliance with the initial testing and reporting provisions of this Supplemental Stipulation and Agreement as to all of the Shut-In Wells, the Division shall request dismissal of Case No. 12955 without prejudice.

7. Neither party shall be precluded from asserting its respective contentions regarding the interpretation of Rules 201 and 203 with respect to wells shut in pursuant to shut-in royalty provisions of leases before the Division, or in any other forum, in any future case, either against the other party hereto or against anyone else whomsoever.

In WITNESS WHEREOF the parties have executed this instrument to be effective as of October 24, 2002.

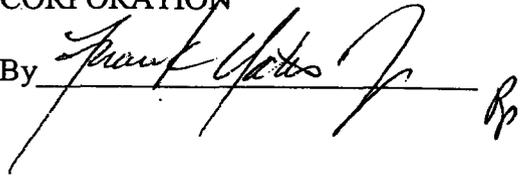
NEW MEXICO OIL CONSERVATION
DIVISION

By


Lori Wrotenbery, Director

YATES PETROLEUM
CORPORATION

By

 Rp

*copy - Randy P.
David B OCO
Santa Fe*

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-5 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. LCO28978B
2. Name of Operator YATES PETROLEUM CORPORATION		6. If Indian, Allottee or Tribe Name
3a. Address 105 SOUTH FOURTH STREET ARTESIA, NM 88210		7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) Ph: 505-748-4168 Fx: 505.748.4585		8. Well Name and No. BENSON DEEP AAS FEDERAL 1
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 34 T18S R30E SWNW 2030FNL 660FWL		9. API Well No. 30-015-23371
		10. Field and Pool, or Exploratory LEO BONE SPRINGS, SOUTH
		11. Country or Parish, and State EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

2/27-2/29/04 MIRU 1000# on annulus. Pumped 50 bbls 7% KCL down tubing and 50 bbls down annulus. Attempt to release packer, unable to release.
3/1/04 Pumped 50 bbls 7% KCL down tubing. Release tubing anchor. TOH with tubing. TIH with 4-3/4" bit, scraper and 2-7/8" tubing to a depth of 1380'.
3/2/04 Replaced tubing line. TOH with tubing, scraper and bit.

WELL IS BACK ON PRODUCTION

14. I hereby certify that the foregoing is true and correct.
Electronic Submission on #28628 verified by the BLM Well Information System
For YATES PETROLEUM CORPORATION, sent to the Carlsbad

Name (Printed/Typed) TINA HUERTA	Title REG COMPLIANCE SUPERVISOR
Signature (Electronic Submission)	Date 03/08/2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By _____	Title _____	Date _____
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		
Office _____		

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****