

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

**CASE NO. 13893 (Reopened)
ORDER NO. R-12251-D**

IN THE MATTER OF CASE 13893 BEING REOPENED PURSUANT TO THE PROVISIONS OF ORDER NO R-12251-A WHICH ORDER AUTHORIZED YATES PETROLEUM CORPORATION TO CONDUCT A 3-YEAR PILOT WITHIN A PORTION OF THE NORTH DAGGER DRAW UPPER PENNSYLVANIAN UNIT AREA, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 12, 2008, at Santa Fe, New Mexico, before Examiners William V. Jones and Carol Leach.

NOW, on this 17th day of June, 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The North Dagger Draw Upper Pennsylvanian Unit Area was formed by Yates Petroleum Corporation ("Yates") as operator and authorized by the Division in Order No. R-12251 on December 20, 2004. Said order authorized the 5,612.95-acre (State, Federal, and Fee) statutory unit, created the unit area covering all the unitized acreage, and authorized waterflood operations within the unit area. The vertical limits of the unitized acreage are defined in the unit agreement and include approximately 400 gross feet of oil and gas bearing intervals within the upper Pennsylvanian.

(3) Initial waterflooding operations were not considered to be successful, and Yates proposed to the Division alternative operations including modified patterns of injection. The Division issued Order No R-12251-A on July 5, 2007, authorizing Yates to conduct a 3-year pilot study within a portion of the Unit Area to determine proper waterflood patterns. The Division directed Yates to protect inactive wells during this testing phase by temporarily abandoning those wells. In addition, the Order directed the case to be reopened in June of 2008 in order for Yates to appear before the Division and (i) present the results of the Phase I testing in the Pilot Area, and (ii) advise the Division of the status of the 3-year pilot study. If necessary, the case was to be reopened again in June of 2010, to allow Yates to present the results of the pilot study and advise the

Division of its plans for waterflooding in the unit and its plans for the wells within the Unit.

(4) This case has been reopened by the Division as per Ordering Paragraph (6) of Division Order No. R-12251-A. Yates appeared at the hearing and requested relief from any additional reporting requirements of Order No R-12251-A, for the reason that Yates has decided not to implement the planned pilot program – as approved in R-12251-A – and therefore has no results to report. In addition, Yates has complied with the directive to temporarily abandon all inactive wells within this Unit within eight months of the Order date, and has temporarily or permanently plugged inactive wells within the Unit in accordance with Division Rules.

(5) Yates' request that Ordering Paragraphs (6) and (7) of R-12251-A be rescinded should be approved.

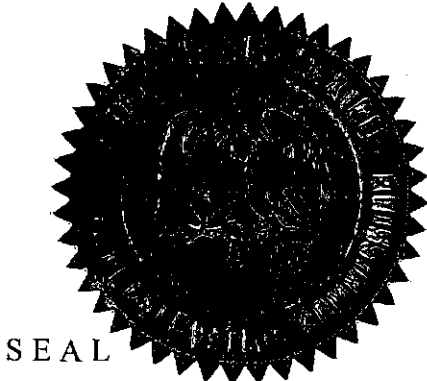
IT IS THEREFORE ORDERED THAT:

(1) Within Division Order No. R-12251-A, Ordering Paragraphs (6) and (7) are hereby rescinded.

(2) Except as hereby modified, Order No R-12251, as amended, remains in force.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director