

**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:**

**CASE NO. 13397
ORDER NO. R-12289**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing February 3, 2005 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 24th day of February, 2005, 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 Leanin L Federal Exploratory Unit Agreement for all oil and gas in all formations from the top of the Queen formation to the base of the (Mississippian) Chester Lime formation underlying the following-described 2,560 acres, more or less, of federal lands situated in Chaves County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Section 8:	All
Section 9:	All
Section 10:	All
Section 17:	All

(3) The case was originally advertised such that an 80-acre tract of Section 3 was to be included in the proposed unit. This tract was not approved to be included in the proposed unit by the United States Bureau of Land Management and the applicant has withdrawn its application as to that 80-acre tract.

(4) Additional proof of notice and an additional letter of clarification from the United States Bureau of Land Management were provided to the Division subsequent to the hearing.

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

(a) 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.

(b) One hundred percent of the royalty interest is owned by the United States of America.

(c) The Bureau of Land Management has given preliminary approval for this Unit.

(d) The initial well will be drilled to an approximate depth of 10,300 feet at a standard gas well location 660 feet from the South line and 660 feet from the East line of Section 8, Township 15 South, Range 29 East, NMPM, Chaves County, New Mexico.

(e) The primary target for this initial well will be the Strawn, but all formations will be evaluated down through the upper Mississippian.

(f) Yates is attempting to locate high-risk channel sands using existing well information and regional mapping.

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

(7) 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.

(8) 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 Leanin L Federal Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the top of the Queen formation to the base of the (Mississippian) Chester Lime formation underlying the following-described 2,560 acres, more or less, of federal lands situated in Chaves County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Section 8: All
Section 9: All
Section 10: All
Section 17: All

(2) The plan contained in the Leanin L Federal 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.

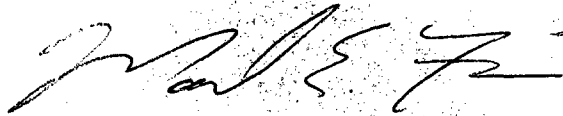
(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States 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.

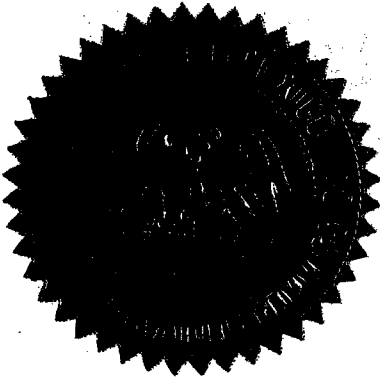
(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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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