

HOLLAND & HART LLP



Ocean Munds-Dry

Associate

omundsdry@hollandhart.com

January 11, 2005

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13404

2005 JAN 11 PM 2 19

**Re: Application of Yates Petroleum Corporation for approval of a
unit agreement, Lea County, New Mexico.**

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the February 3, 2005 Examiner Hearing docket.

Very truly yours,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Mr. Robert Bullock
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

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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.**

2005 JAN 11 PM 2
CASE NO. 13404

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order approving its Faron State Exploratory Unit and in support of this application states:

1. The proposed Unit Area consists of 6400.00 acres, more or less, of State of New Mexico lands, situated in Lea County, New Mexico. The horizontal limits of said unit are described as follows:

Township 9 South, Range 32 East, N.M.P.M.

Section 3:	All
Section 4:	All
Section 5:	All
Section 6:	All
Section 8:	All
Section 9:	All
Section 10:	All
Section 16:	All
Section 17:	All

*MISSED
one Section in 32 all
85/32E*

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. The Applicant, Yates Petroleum Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in the all formations are unitized.

4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly from the surface to the top of the Mississippian formation.

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

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 3, 2005, that notice be given as required by law and the rules of the Division, and that the Faron State Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By: *Ocean Munds-Dry*
WILLIAM F. CARR

OCEAN MUNDS-DRY

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE NO. 13404:

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the Faron State Exploratory Unit from the surface to the top of the Mississippian formation in an area comprising 6400.00 acres of State of New Mexico lands in Sections 3, 4, 5, 6, 8, 9, 10, 16, and 17, Township 9 South, Range 32 East, NMPM which is located approximately 10 miles northeast of Caprock, New Mexico.