

Pecos Slope Pennsylvanian Oil Pool – Case 13706

Yates seeks authority to drill two additional wells in the Pecos Slope Penn oil pool as an experiment to orient a planned waterflood.

1. Original Case 12751 – November 1, 2001 -- Temporary rules
2. Reopen Case 12751 – March 27, 2003 -- Permanent rules
3. Outline of Pool Rules
 - a. 320-acre spacing unit
 - b. Second well allowed in other quarter-section
 - c. 660-foot setbacks from outer boundary
 - d. Oil allowable of 694 BOPD per spacing unit
4. Four wells now produce from this Penn pool
 - a. George QJ #2Y Cum = 33 MBO, 0.31 Bcf Drained 90 acres
 - b. George QJ #9 Cum = 132 MBO, 0.23 Bcf Drained 80 acres
 - c. George QJ #10 Cum = 224 MBO, 0.22 Bcf Drained 190 acres
 - d. Powers OL #6 Cum = 5 MBO, 0.11 Bcf Drained 50 acres

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	394 MBO, 0.87 Bcf	410 acres
5. EUR = 450 MBO, 1.0 Bcf - Ultimate drainage area will be about 500 acres
6. Pressure and performance data suggest two separate reservoirs. Yates believes waterflood recovery can be 300 MBO. If there are two reservoirs, we need two wells in each reservoir for waterflooding.
7. Propose George QJ #13 (990 N & 660 W, Section 35) to test continuity with George #9 and #10. If new well connects to George QJ #9, we will inject water into George QJ #9.
8. Propose George QJ #12 (990 S & 660 W, Section 26) depending on the results from George QJ #13. Probably also inject water into George QJ #10.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13706 Exhibit No. 1

Submitted by:

YATES PETROLEUM CORPORATION

Hearing Date: May 11, 2006