

**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. 13388
Order No. R-12243**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on December 2, 2004 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of December, 2004, the Division Director, having considered 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 Azure State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 2,220.03 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Sections 17 and 18: All

Section 19: Lots 3 and 4, E/2 SW/4, and SE/4 (S/2 equivalent)

Section 20: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) 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 Azure State Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 2,220.03 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Sections 17 and 18: All
Section 19: Lots 3 and 4, E/2 SW/4, and SE/4 (S/2 equivalent)
Section 20: All.

(2) The plan contained within the Azure State 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.

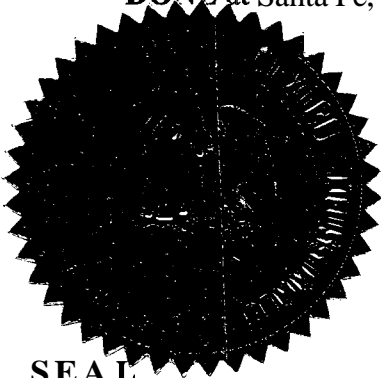
(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P. E.
Director