

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD

**Sent:** Thu 9/21/2006 10:27 AM


**To:** tonyk@ypcnm.com

**Cc:**


**Subject:** 30-015-31833

**Attachments:**

Per our telephone conversation a few minutes ago; you are sending me information about the two offsetting affected leases NM-065108 and NM-064073 and the agreement in place for shallow oil production from the Millennium "34" Fed. Com. #1. Thanks.

 Attachments can contain viruses that may harm your computer. Attachments may not display correctly.

**Stogner, Michael, EMNRD**

**From:** Tony Krakauskas [tonyk@YPCNM.COM]  
**To:** Stogner, Michael, EMNRD  
**Cc:**  
**Subject:** RE: 30-015-31833  
**Attachments:**  OCD Millennium Letter.doc(45KB)

**Sent:** Thu 9/21/2006 11:20 AM

Michael:

See attached letter explaining ownership under the Millennium well.

**Tony Krakauskas, CPL**

Yates Drilling Company

105 South Fourth St.

Artesia, NM 88210

505-748-8642 office

505-748-8670 fax

[tonyk@ypcnm.com](mailto:tonyk@ypcnm.com)

-----Original Message-----

**From:** Stogner, Michael, EMNRD [mailto:michael.stogner@state.nm.us]  
**Sent:** Thursday, September 21, 2006 10:27 AM  
**To:** Tony Krakauskas  
**Subject:** 30-015-31833

Per our telephone conversation a few minutes ago; you are sending me information about the two offsetting affected leases NM-065108 and NM-064073 and the agreement in place for shallow oil production from the Millennium "34" Fed. Com. #1. Thanks.

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided

under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

# YATES DRILLING COMPANY

105 SOUTH FOURTH ST.  
ARTESIA, NEW MEXICO 88210  
505-748-8462 office 505-748-8670 fax

September 21, 2006

Mr. Michael Stogner  
New Mexico Oil Conservation Division  
1220 South Saint Francis Dr.  
Santa Fe, NM 87505

VIA E-MAIL

RE: Application for Unorthodox Location  
Millennium "34" Federal #1  
(Bone Spring Re-Completion)  
SW/4SW/4 Section 34, T17S-R29E  
Eddy Co., NM

Dear Mr. Stogner:

In connection with your request for clarification of offsetting lease ownership relating to the Yates Drilling Company's request for administrative approval for unorthodox bottom-hole location for the captioned well and lands, I have set out below such ownership:

## CONTRACTUAL OWNERSHIP

JOA dated effective June 11, 2001 covering the W/2 of Section 34, T17S-R29E, Eddy Co., NM, as to all rights below the top of the Abo Formation at 6,119' sub-surface, owned as follows:

Yates Drilling Company (YDC):	80.00%
Marbob Energy Corporation (Marbob):	20.00%

## LEASES CONTRIBUTED TO JOA & OWNERSHIP

1. NMLC-069147  
NE/4NW/4  
40.00 acres  
Operating Rights (JOA depths)  
YDC: 80.00%  
Marbob: 20.00%
2. NMNM-21888  
E/2SW/4  
80.00 acres  
Operating Rights (JOA depths)  
YDC: 80.00%  
Marbob: 20.00%

3. NMNM-96219  
SW/4SW/4  
40.00 acres  
Record Title (all depths)  
Marbob: 100.00%
4. NMLC-064073  
SE/4NW/4  
40.00 acres  
Record Title (all depths)  
YDC: 100.00%
5. NMLC-065108  
W/2NW4, NW/4SW/4  
120.00 acres  
Record Title (all depths)  
YDC: 100.00%

Ownership under the W/2 JOA lands was determined by record title ownership as contributed under leases 3, 4 & 5 with YDC contributing 160/200 acres = 80.00% and Marbob contributing 40/200 acres = 20.00%. Both parties shared the farmout interest of leases 1 & 2 on an 80% 20% basis.

The Bone Spring re-completion provides for 40.00 acre spacing covering the SW/4SW/4 of Section 34. With the original 320.00 acre spacing covering the W/2, the JOA (contractual) ownership of the well and 40.00 acre spacing remains YDC 80.00% and Marbob 20.00%.

I may be contacted at (505) 748-8642 should you have any questions.

Sincerely,

YATES DRILLING COMPANY

Tony Krakauskas, CPL  
Land Manager