

March 9, 2004

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Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

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1220 S. St. Francis Drive
Santa Fe, NM 87505

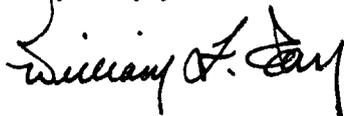
Case 13245

Re: Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy
County, New Mexico.

Dear Ms. Wrotenbery:

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 docket for the April 1, 2004 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

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

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING ,
EDDY COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
CASE NO. 73243

APPLICATION

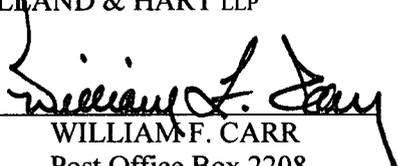
YATES PETROLEUM CORPORATION, ("Yates") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from the surface to the base of the Morrow formation in all spacing and proration units comprised of the N/2 of Section 3, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Undesignated Kennedy Farms-Morrow Gas Pool; and the Undesignated Kennedy Farms-Upper Pennsylvanian Gas Pool, and in support of its application states:

1. Yates Petroleum Corporation is a working interest owner in the N/2 of said Section 3 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing or proration units to a well to be drilled at a standard gas well location 1200 feet from the North line and 1800 feet from the East line (Unit B) of said Section 3, to an approximate depth of 8,900 feet to test the Atoka and Morrow formations.
3. Yates has sought and been unable to obtain a voluntary agreement for the development of these lands from Preston Exploration, L.L.C., Post Office Box 7520, The Woodlands, Texas 77387-7520, a working interest owner in the subject spacing units.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. In order to permit the Yates to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 1, 2004 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Yates Petroleum Corporation operator of these units and the well to be drilled thereon,
- C. authorizing Yates Petroleum Corporation to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 200% charge for the risk assumed by Yates Petroleum Corporation in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,
HOLLAND & HART LLP

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing application has been transmitted by facsimile or hand delivery this 9thth day of March, 2004 to the following:

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
FAX No. (505) 989-9857


William F. Carr

CASE 13245:

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the W/2 of Section 3, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Undesignated Kennedy Farms-Morrow Gas Pool and the Undesignated Kennedy Farms-Upper Pennsylvanian Gas Pool. Said units are to be dedicated to a well to be drilled at a standard gas well location 1200 feet from the North line and 1800 feet from the East line (Unit B) of said Section 3. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Yates Petroleum Corporation as operator of the well and imposition of a 200% charge for risk involved in drilling said well. Said area is located approximately 15 miles west of Loco Hills, New Mexico.

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1220 S. St. Francis Drive
Santa Fe, NM 87505