

January 26, 2004

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

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

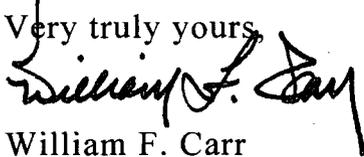
Case 13222

Re: Application of Yates Petroleum Corporation for pool creation and the adoption of Special Pool Rule, 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 February 19, 2004 Examiner hearings.

Very truly yours,

  
William F. Carr

Enclosures

cc: Mr. John Humphrey  
Dr. David Boneau  
Yates Petroleum Corporation

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

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JAN 26 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

IN THE MATTER OF THE APPLICATION  
OF YATES PETROLEUM CORPORATION  
FOR POOL CREATION AND THE  
ADOPTION OF SPECIAL POOL RULES,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 13222

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order creating a new pool for the production of hydrocarbons from the Abo formation and adopting, on a temporary basis, Special Pool Rules and Regulations for the new pool that provide for 320-acre spacing and proration, and in support of this application states:

1. Yates has drilled the Duvel "BCD" State Com. Well No. 1 as a wildcat well at a standard gas well location in the Atoka formation at a point 710 feet from the North line and 1980 feet from the West line of Section 36, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico. This well produces through perforations from 3580 feet to 3688 feet and 3776 feet to 3850 feet in the Atoka formation. The NW/4 SE/4 of said Section 14 is dedicated to the well.

2. To efficiently produce the reserves from the Abo formation in the Duvel "BCD" State Well No. 1, Abo production must be commingled with production from the Cisco and Pennsylvanian formations. These formations are developed on 320-acre spacing units.

3. The initial pool boundaries should be comprised of the following acreage:

**Township 21 South, Range 21 East, NMPM**

Section 36: N/2

3. The Duvel "BCD" State Well No. 1 is the only well in this common source of supply and, depending on the performance of this well, additional wells may drilled in this pool.

4. Based on current information, the drilling of additional wells on standard 160-acre Abo formation spacing units in this area would be imprudent and could result in the drilling of unnecessary wells thereby causing the waste of hydrocarbons.

5. Yates seeks the adoption of Special Pool Rules and Regulations which provide for gas spacing units in the Abo formation comprised of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section being a legal subdivision of the U. S. Public Lands Survey with wells located no closer than 660 feet from the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or inner subdivision inner boundary.

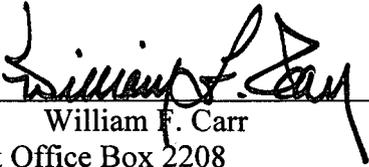
6. Approval of the requested special spacing rules on a temporary basis will enable Yates to obtain additional data on this new Abo pool to determine the proper well density to efficiently produce the reserves from this reservoir.

9. Approval of this amended application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 19, 2004, that notice be given as required by law and the rules of the Division, and that the application be approved.

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

CASE 18222 :

**Application of Yates Petroleum Corporation for pool Creation and the adoption of special pool rules, Eddy County, New Mexico.** Applicant, in the above-styled cause seeks creation of a new pool comprised of the N/2 of Section 36, Township 21 South, Range 21 East, NMPM, as a result of the discovery of hydrocarbons in the Abo formation in its Duvel "BCD" State Com Well No. 1 located 710 feet from the North line and 1980 feet from the West line of said Section 36. Applicant also seeks the adoption of Special Pool Rules and Regulations for the pool including provisions for 320-acre gas spacing and proration units. This pool is located approximately 26 miles south of Hope, New Mexico.