



March 29, 2005

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13477

2005 MAR 29 PM 3 13

Re: Application of Yates Drilling Company for compulsory pooling, Eddy
County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Yates Drilling Company in the above-referenced case as well as a copy of a legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the docket for the April 21, 2005 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Tony Krakauskas
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210-2118

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

**IN THE MATTER OF THE APPLICATION
OF YATES DRILLING COMPANY
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

2005 MAR 29 PM 5:13
CASE NO. 3477
13

APPLICATION

YATES DRILLING COMPANY, ("Yates") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17(C), for an order pooling all mineral interests from a depth of 4000 feet through the top of the Chester formation in the following described acreage in Section 8, Township 20 South, Range 27 East, NMPM: the W/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent; the NW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and the NW/4 NW/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the McMillan-Seven Rivers-Queen Pool and the Undesignated McMillan-Wolfcamp Pool, and in support thereof states:

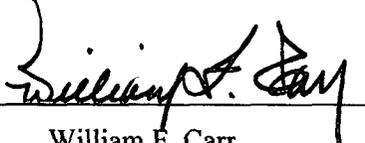
1. Yates is a working interest owner in the W/2 of said Section 8 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing and proration units to its Crazy 8 Federal Com Well No. 1 to be drilled at a standard location 990 feet from the North line and 660 feet from the West line to an approximate depth of 11,000 feet to test all formations from a depth of 4,000 feet through the top of the Chester formation.
3. Yates has sought and been unable to obtain a voluntary agreement for the development of these lands from the working interest owners identified on Exhibit A to this application.
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 Yates the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Drilling Company should be designated the operator of the well to be drilled.

WHEREFORE, Yates Drilling Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 21, 2005 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing units,
- B. designating Yates Drilling Company operator of this spacing unit and the well to be drilled thereon,
- C. authorizing Yates Drilling Company 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% penalty for the risk assumed by Yates Drilling Company 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 DRILLING
COMPANY

Exhibit A

**Application of Yates Drilling Company
for compulsory pooling
Eddy County, New Mexico.
(Crazy 8 Federal Com Well No. 1)
Section 8:Unit Letter D
Township 20 South, Range 27 East, NMPM
Eddy County, New Mexico.**

BP America, Inc.
501 WestLake Park Blvd.
Houston, Texas 77079
Attention: Melaine Bell

EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702
Attention: Dan McCright

Yates Energy Corporation
Post Office Box 2323
Roswell, New Mexico 88202-2323
Attention: Fred Yates

CASE 13477:

Application of Yates Drilling Company for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from a depth of 4000 feet through the top of the Chester formation in the following described acreage in Section 8, Township 20 South, Range 27 East, NMPM: the W/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent; the NW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and the NW/4 NW/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the McMillan-Seven Rivers-Queen Pool and the Undesignated McMillan-Wolfcamp Pool. Said units are to be dedicated to its Crazy 8 Federal Com Well No. 1 to be drilled 990 feet from the North line and 660 feet from the West line (Unit D) of said Section 8 to an approximate depth of 11,000 feet. 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 Drilling Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately four miles northeast of Brantley Lake Dam, Eddy County, New Mexico.



March 31, 2005

CERTIFIED MAIL- RETURN RECEIPT REQUESTED**AFFECTED INTEREST OWNERS:**

Re: Application of Yates Drilling Company for compulsory pooling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Drilling Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from a depth of 4000 feet to the top of the Chester formation in the following described acreage in Section 8, Township 20 South, Range 27 East, NMPM: the W/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent; the NW/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and the NW/4 NW/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the McMillan-Seven Rivers-Queen Pool and the Undesignated McMillan-Wolfcamp Pool. Said units are to be dedicated to Crazy 8 Federal Com Well No. 1 to be drilled 990 feet from the North line and 660 feet from the West line of said Section 8 to a depth sufficient to test all formations from a depth of 4000 feet through the top of the Chester formation.

This application has been set for hearing before a Division Examiner on April 21, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr

ATTORNEY FOR YATES DRILLING COMPANY

cc: Tony Krakauskas