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January 10, 2006

HAND DELIVERED

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

Case 13644

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

Dear Mr. Fesmire:

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 16, 2006 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**

2006 JUN 10 PM 1 59

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

CASE NO. PM 13644

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 Mississippian formation in the following described spacing and proration units located in the S/2 of Section 6, Township 13 South, Range 35 East, N.M.P.M., Lea County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing; the SE/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the East Ranger Lake Devonian Gas Pool and the East Ranger Lake-Atoka Gas Pool; and the NE/4 SE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated East Ranger Lake-Cisco Pool and support of its application states:

1. Yates Petroleum Corporation is a working interest owner in the S/2 of said Section 6 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing or proration units to its Messina "BHN" State Com Well No. 1 to be drilled at a standard gas well location 1980 feet from the South line and 990 feet from the East line (Unit I) of said Section 6, to an approximate depth of 13,375 feet to test any and all formations from the surface to the base of the Mississippian formation.
3. Yates has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing units who are 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 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 February 16, 2006, 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 penalty 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

EXHIBIT A

**APPLICATION OF
YATES PETROLEUM CORPORATION.
FOR COMPULSORY POOLING
S/2 OF SECTION 6, TOWNSHIP 13 SOUTH, RANGE 35 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO.**

Edward A. Elkin, III
6808 Los Prados Road
Albuquerque, New Mexico 87114

EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702

Gary Hudgens
Post Office Box 7003
Phoenix, Arizona 85011

Gayle Hudgens
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Sempra Energy Production
8235 Douglas Ave., Suite 525
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Thomas E. Todd, Jr.
204 McBride
Post Office Box 338
Ruidoso, New Mexico 88345

Margaret Todd Sherrill and
Thomas E. Todd, Joint Tenants
4920 North Carriage Road
Hobbs, New Mexico 88240-9757

CASE 13644

Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation in the following described spacing and proration units located in the S/2 of Section 6, Township 13 South, Range 35 East, N.M.P.M., Lea County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing; the SE/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the East Ranger Lake Devonian Gas Pool and the East Ranger Lake-Atoka Gas Pool; and the NE/4 SE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated East Ranger Lake-Cisco Pool Said units are to be dedicated to its Messina "BHN" State Com Well No. 1 to be drilled at a standard gas well location 1980 feet from the South line and 990 feet from the East line (Unit I) of said Section 6. 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 a charge for risk involved in drilling said well. Said area is located approximately 3 miles east of Louington, New Mexico.



January 10, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS:

Re: Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in the S/2 of Section 6, Township 13 South, Range 35 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to Yates Petroleum Corporation's proposed Messina "BHN" Well No. 1 which it proposes to drill at a standard gas well location in the NE/4 SE/4 of said Section 6 to test all formations from the surface to the base of the Mississippian formation.

This application has been set for hearing before a Division Examiner on February 16, 2006. 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 with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must 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,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr

cc: Robert Bullock