



January 24, 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 13651

2006 JAN 24 PM 5 33

Re: Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy 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 March 2, 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**

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

CASE NO. 13651

2006 JUN 24 PM 5

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 base of the Delaware formation to 100 feet below the base of the Chester formation at approximately 11,600 feet, less and except the Strawn interval defined as the stratigraphic equivalent of depths from 10,205 feet to 10,662 feet as found on the electric log dated December 27, 1974 in the Burton Flat Deep Unit Well No. 13 located in the SW/4 SE/4 of Section 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico in the following described spacing and proration units located in the S/2 of Section 28, Township 20 South, Range 28East, N.M.P.M., Eddy County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool, Undesignated Burton Flat-Atoka Gas Pool and the Burton Flat-Wolfcamp Gas Pool; the SW/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Undesignated East Avalon-Bone Spring Gas Pool; and the SW/4 SW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated Avalon-Bone Spring Pool and support of its application states:

1. Yates Petroleum Corporation is a working interest owner in the S/2 of said Section 28 and has the right to drill thereon.

2. Yates proposes to dedicate the above-referenced spacing or proration units to its Hedgerow "BFH" State Com Well No. 1 to be drilled at a standard gas well location 660 feet from the South line and 1219 feet from the West line (Unit M) of said Section 28, to an approximate depth of 11,600 feet to test any and all formations from the surface to the base of the Chester 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.

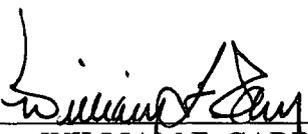
5. In order to permit the Yates to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 2, 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 28, TOWNSHIP 20 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO.**

Mary Hudson Ard
222 West Fourth Street - PH5
Fort Worth, Texas 76102

CASE 13651:

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 base of the Delaware formation to 100 feet below the base of the Chester formation at approximately 11,600 feet, less and except the Strawn interval defined as the stratigraphic equivalent of depths from 10,205 feet to 10,662 feet as found on the electric log dated December 27, 1974 in the Burton Flat Deep Unit Well No. 13 located in the SW/4 SE/4 of Section 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico in the following described spacing and proration units located in the S/2 of Section 28, Township 20 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool, Undesignated Burton Flat-Atoka Gas Pool and the Burton Flat-Wolfcamp Gas Pool; the SW/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Undesignated East Avalon-Bone Spring Gas Pool; and the SW/4 SW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated Avalon-Bone Spring Pool. Said units are to be dedicated to its Hedgerow "BFH" State Com Well No. 1 to be drilled at a standard gas well location 660 feet from the South line and 1219 feet from the West line (Unit M) of said Section 28. 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 15 miles northeast of Carlsbad, New Mexico.



January 24, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mary Hudson Ard
222 West Fourth Street – PH5
Fort Worth, Texas 76102

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

Dear Ms. Ard:

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 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to Yates Petroleum Corporation's proposed Hedgerow "BFH" State Com. Well No. 1 which it proposes to drill at a standard gas well location in the SW/4 SW/4 of said Section 28 to test certain formations from the base of the Delaware formation to 100 feet below the base of the Chester formation.

This application has been set for hearing before a Division Examiner on March 2, 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,

William F. Carr

cc: Robert Bullock
Yates Petroleum Corporation