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William F. Carr

wcarr@hollandhart.com

March 4, 2003

HAND-DELIVERED

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

RECEIVED

MAR . 4 2003

Oil Conservation Division

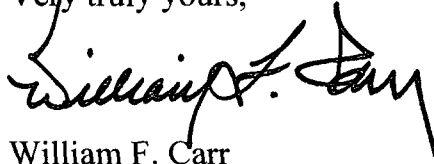
Case 13038

Re: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea 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 a legal advertisement. Yates Petroleum Corporation respectfully requests that this matter be placed on the docket for the March 27, 2003, examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Randy Patterson
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 AND AN
UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

RECEIVED
MAR . 4 2003
CASE NO. **13038**
Oil Conservation Division

APPLICATION

YATES PETROLEUM CORPORATION, ("Yates") through its undersigned attorneys, hereby makes application 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 all formations and/or pools developed on 320-acre spacing and proration units in the E/2 of Section 19, Township 15 South, Range 35 East, N.M.P.M., Lea County, New Mexico which includes but is not necessarily limited to the Undesignated Northwest Big Dog-Mississippian Gas Pool and the Undesignated Big Dog-Morrow Gas Pool , and for an exception to the well location requirements of Division Rule 104.C(2)(a) approving an unorthodox gas well location for its proposed Associate "AZP" State Com Well No. 1, and in support of its application states:

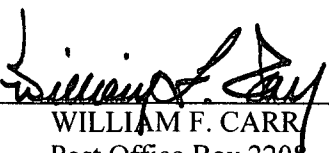
1. Yates Petroleum Corporation is a working interest owner in the E/2 of said Section 19 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing or proration units to its Associate "AZP" State Com Well No. 1 to be drilled at an unorthodox gas well location 1650 feet from the South line and 2310 feet from the East line (Unit J) of said Section 19, to an approximate depth of 13,010 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 either voluntary agreement for pooling or farmout from certain interest owners in the subject spacing units 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 27, 2003 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,
- 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, and
- F. approving an unorthodox well location for the Associate "AZP" State Com Well No. 1.

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
E/2 OF SECTION 19, TOWNSHIP 15 SOUTH, RANGE 35 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO.**

David H. Arrington Oil & Gas, Inc.
214 West Texas Ave, Suite 400
Midland, Texas 79701

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William F. Carr

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March 4, 2003

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

David H. Arrington Oil & Gas, Inc.
214 West Texas Ave, Suite 400
Midland, Texas 79701

Re: Application of Yates Petroleum Corporation for compulsory pooling and an
unorthodox gas well location, Lea County, New Mexico.

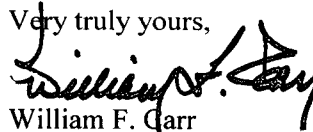
Ladies and Gentlemen:

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 E/2 of Section 19, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. Said units will be dedicated to Yates Petroleum Corporation's proposed Associate "AZP" State Com Well No. 1 which it proposes to drill at an unorthodox gas well location in the NW4 SE/4 of said Section 19 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 March 27, 2003. 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, three days in advance of a scheduled 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: Randy Patterson