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DAVID R. VANDIVER  
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2011 JAN 19 P 1:20

January 18, 2011

Ms. Florene Davidson  
Oil Conservation Division  
1220 South Francis Drive  
Santa Fe, New Mexico 87505

Case 14598

*Re: Application of Yates Petroleum Corporation for a  
Non-Standard Spacing and Proration Unit and  
Compulsory Pooling, Eddy County, New Mexico.*

Dear Florene:

Enclosed is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the proposed legal advertisement. The advertisement has also been e-mailed to the Division. Yates Petroleum Corporation requests that this matter be placed on the docket for the February 17, 2011 Examiner hearings.

Very truly yours,

VANDIVER & BOWMAN, P. C.



David R. Vandiver

DRV:ldc

*Encl./as stated*

*cc: Mr. Chuck Moran*

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

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IN THE MATTER OF THE APPLICATION  
OF YATES PETROLEUM CORPORATION  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW  
MEXICO.

CASE NO. 14598

APPLICATION

Yates Petroleum Corporation ("Yates"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to Section 70-2-17 NMSA (1978), for an order: (1) creating a non-standard spacing unit comprised of S/2 S/2 Section 36, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, which will be a 160-acre project area for its Dee 36SE State Com. No. 7H Well (formerly known as the Dee 36SW State Com. No. 2 Well), and (2) pooling all mineral interests in the Cisco formation underlying S/2 S/2 of said Section 36, and in support of its application, states:

1. Yates is an interest owner and the operator of S/2 S/2 of said Section 36 and has the right to drill thereon. Yates owns leasehold interests in each of the oil spacing units within this project area and therefore has standing to bring this pooling application.

2. Yates proposes to dedicate the above-referenced pooled project area to its Dee 36SE State Com. No. 7H Well (formerly known as the Dee 36SW State Com. No. 2 Well), located at an orthodox surface location 940 feet from the south line and 990 feet from the west line (Unit M) of Section 36. Yates proposes to reenter and drill the well to a true vertical depth of approximately 7,500 feet (estimated measured depth of approximately 11,255 feet), and then in an easterly direction to a terminus 940 feet from

the south line and 660 feet from the east line (Unit P) of Section 36, to test the Cisco formation underlying the proposed project area.

3. Yates has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in S/2 S/2 of said Section 36 for the purposes set forth herein, but certain interest owners have failed or refused to join in dedicating their interests to the proposed well. The owners who have not agreed to pool their interests are identified on Exhibit A to this application.

4. In order to permit 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 should be designated the operator of the well.

5. The pooling of interests as set forth in this application will afford Yates the opportunity to produce its just and equitable share of oil and gas underlying the subject lands, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

**WHEREFORE**, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 17, 2011, and, after notice and hearing as required by law, the Division enter its order:

A. creating a 160-acre non-standard spacing and proration unit in the Cisco formation comprised of S/2 S/2 of Section 36, Township 19 South, Range 24 East, N.M.P.M.;

B. pooling all mineral interests in this 160-acre non-standard unit/project area;

C. designating Yates Petroleum Corporation as operator of the well;

D. authorizing Yates Petroleum Corporation to recover its costs of drilling, testing, completing and equipping the well;

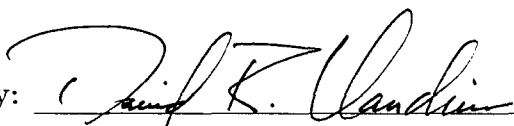
E. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;

F. imposing a 200% charge 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

G. for such other and further relief as may be proper in the premises.

Respectfully submitted,

VANDIVER & BOWMAN, P.C.

By: \_\_\_\_\_

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Artesia, New Mexico 88210  
575-746-9841

*Attorneys for Yates Petroleum Corporation*

## Exhibit A

*Application of Yates Petroleum Corporation for a Non-Standard Spacing and Proration Unit  
and Compulsory Pooling*

*S/2 S/2 Section 36, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico  
(Dee 36SE State Com. No. 7H Well)*

Tom R. Cone  
P.O. Box 400  
Southwest City, Missouri 64863

Kenneth G. Cone  
P.O. Box 11310  
Midland, Texas 79702

Kenneth G. Cone, Trustee of the Trusts created under the Will and Codicil of Kathleen  
Cone, deceased, f/b/o children of Kenneth G. Cone  
P.O. Box 11310  
Midland, Texas 79702

Cathie Cone McCown  
P.O. Box 658  
Dripping Spring, Texas 78620

Auvenshines's Children's Testamentary Trust  
Cathie Cone McCown, Trustee  
P.O. Box 507  
Dripping Spring, Texas 78620

Bank of Oklahoma, N.A., Successor Trustee of the Trust created under the Will and  
Codicil of Kathleen Cone, deceased, f/b/o children of Tom R. Cone  
P.O. Box 1588  
Tulsa, Oklahoma 74101-1588

PROPOSED ADVERTISEMENT

CASE NO. 14598 :

*Application of Yates Petroleum Corporation for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.* Applicant in the above-styled cause seeks an order (1) creating a non-standard spacing unit comprised of S/2 S/2 Section 36, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and (2) pooling all mineral interests in the Cisco formation underlying S/2 S/2 of said Section 36, which will be the project area for its Dee 36SE State Com. No. 7H Well (formerly the Dee 36SW State Com. No. 2 Well), located at an orthodox surface location 940 feet from the south line and 990 feet from the west line (Unit M) of said Section 36. The well will be re-entered, drilled to a true vertical depth of approximately 7,500 feet (estimated measured depth of approximately 11,255 feet), and then in an easterly direction in the Cisco formation to a terminus 940 feet from the south line and 660 feet from the east line (Unit P) of said Section 36. Also to be considered will be the cost of drilling, testing, completing and equipping 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 200% charge for risk involved in drilling and completing the well. Said area is located approximately 10 miles west of Lakewood, New Mexico.

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