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**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,
LEA COUNTY, NEW MEXICO.

CASE NO. 11934

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the W/2, in all formations developed on 160-acre spacing underlying the NW/4, in all formations developed on 80-acre spacing the S/2 NW/4 and in all formations developed on 40-acre spacing underlying the SW/4 NW/4 of Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, and in support hereof states:

1. Yates is a working interest owner in the w/2 of Section 2, and Yates has the right to drill thereon.
2. Yates proposes to drill a well its Field "APK" State Com Well No. 3 at a standard location 1980 feet from the North line and 760 feet from the West line of said Section 2 to test all formations from the surface to the base of the Mississippian formation.
3. Yates has sought and been unable to obtain either a voluntary agreement for pooling or farmout from certain interest owners in the W/2 of said Section 2.
4. Said pooling of interests and the drilling of the proposed well will avoid the

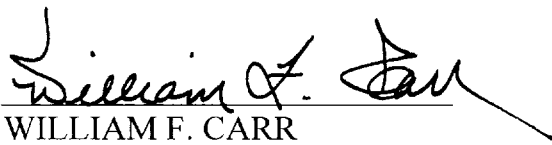
drilling of unnecessary wells, will prevent waste and protect correlative rights.

5. 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 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 5, 1998, and, after notice and hearing as required by law, the Division enter its order (1) approving the drilling of the proposed well, and (2) pooling the subject spacing and proration units, including provisions designating Yates operator of the well and spacing units, authorizing Yates to recover its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Yates in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE,
& SHERIDAN, P.A.

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