

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 POOL CONTRACTION, POOL
EXTENSION AND SPECIAL POOL
RULES OR, IN THE ALTERNATIVE,
SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 12037

OIL CONSERVATION DIV.
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SECOND AMENDED APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order contracting and extending the North Shoe-Bar-Atoka Gas Pool to conform to the acreage dedicated to the wells in the pool and promulgating Special Pool Rules and Regulations for the North Shoe Bar-Atoka Gas Pool including provisions authorizing a second gas well on each 320-acre spacing or proration unit in this pool or, in the alternative, an order authorizing the simultaneous dedication of its Brunson "AQK" Well No. 1 ("the Brunson Well") located 2260 feet from the North line and 1795 feet from the East line and its Big Flat "ASN" State Com. Well No. 1 ("the Big Flat Well") located 1650 feet from the South line and 1980 feet from the East line of Section 10, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, to a standard spacing and proration unit in the North Shoe Bar-Atoka Gas Pool comprised of the E/2 of said Section 10, and in support of its application states:

1. The North Shoe Bar-Atoka Gas Pool was established by Division Order No.

R-10972 dated May 1, 1998, and includes the following acreage in Lea County, New Mexico:

Township 16 South, Range 35 East, NMPM

Section 10: N/2

Section 11: N/2

2. There are three wells in this pool. The Brunson Well and the Big Flat Well to which is dedicated the E/2 of Section 10 and the Shell Lusk "ANB" Com Well No. 1 to which is dedicated the W/2 of Section 11, Township 16 South, Range 35 East, NMPM.

3. For the pool boundaries of the North Shoe Bar-Atoka Gas Pool to conform to the acreage dedicated to wells located therein, the pool should be contracted by deletion of the NW/4 of Section 10 and the NE/4 of Section 11 and the extension of the Pool to include the SE/4 of Section 10 and the SW/4 of Section 11. The boundaries of the pool will then include following acreage:

Township 16 South, Range 35 East, NMPM

Section 10: E/2

Section 11: W/2

4. The North Shoe Bar-Atoka Gas Pool is governed by statewide rules which provide for 320-acre spacing and proration unit with wells to be located 1650 feet from the end boundary and 660 feet from the side boundary of the spacing unit.

5. Yates operates both spacing units in the North Shoe Bar-Atoka Gas Pool including the standard spacing and proration unit comprised of the E/2 of Section 10,

Township 16 South, Range 35 East, NMPM, Lea County, New Mexico which is dedicated to the Brunson Well which produces from the Lower Atoka Brunson Sand.

6. The W/2 of Section 10 is dedicated to the Ocean Energy, Inc. Carlisle Well No. 1 ("the Carlisle Well") located in the NE/4 SW/4 of Section 10 which blew out while drilling at a depth of approximately 12,000 feet.

7. Yates recently drilled the Big Flat Well at a location 1650 feet from the South line and 1980 feet from the East line of said Section 10 to test the porous zones in the Morrow or Mississippian formations which blew out in the Carlisle Well. These sands were not present in the Big Flat Well but the well is capable of producing natural gas from the Lower Atoka Brunson Sand formation and the Upper Atoka formation.

8. The simultaneous dedication of the E/2 of Section 10 to the Brunson Well and Big Flat Well will afford Yates the opportunity to efficiently produce the Lower Morrow Brunson Sand under its spacing unit thereby protecting its correlative rights. The correlative rights of no other owner in this reservoir will be adversely affected.

9. Yates seeks, in the alternative, the promulgation of Special Pool Rules and Regulations which will authorize a second well on each spacing and proration unit in the North Shoe Bar-Atoka Gas Pool.

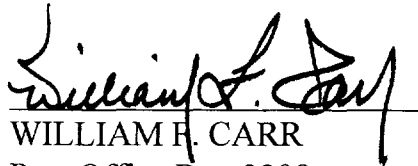
10. The approval of this application will result in the efficient recovery of hydrocarbons from the North Shoe Bar-Atoka Gas Pool thereby preventing waste and will otherwise be in the best interest of conservation.

WHEREFORE, Yates Petroleum Corporation, requests that this second amended application be set for hearing before an Examiner of the Oil Conservation Division on September 17, 1998, and, after notice and hearing as required by law, the Division enter its order granting this application, contracting and extending the boundaries of the North Shoe Bar-Atoka Gas Pool to conform to the acreage dedicated to the wells therein, authorizing the simultaneous dedication of the E/2 of Section 10, Township 16 South, Range 35 East, NMPM to the Brunson Well and the Big Flat Well, or in the alternative promulgating Special Pool Rules and Regulations for the North Shoe Bar-Atoka Gas Pool which authorize a second well on each spacing or proration unit in the pool.

Respectfully submitted,

CAMPBELL, CARR, BERGE,
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