

**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 SPECIAL POOL RULES OR,
IN THE ALTERNATIVE, FOR
SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 12037

OIL CONSERVATION DIV.
AUG 11 11 3:50 AM

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order promulgating Special Pool Rules and Regulations for the Townsend-Morrow 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 located 2260 feet from the North line and 1795 feet from the East line and its Big Flat "ASN" State Com. Well No. 1 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 Townsend-Morrow 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, N.M.P.M.

Section 10: N/2

Section 11: N/2

2. 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.

3. Yates operates the spacing units in the North Shoe Bar-Atoka Gas Pool including a 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 its Brunson "AQK" State Com Well No. 1 ("the Brunson Well") located 2260 feet from the North line and 1795 feet from the East line of said Section 10. During completion of this well the Brunson Sand was damaged and the well does not efficiently recover the reserves from this reservoir.

4. 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.

5. Yates recently drilled its Big Flat "ASN" State Com. Well No. 1 ("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. These zones are currently being produced in the Brunson Well.

6. 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.

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

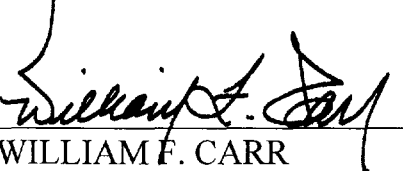
8. The approval of this application will result in the efficient recovery of hydrocarbons from the North Shoe Bar-Atoka Gas Pool thereby preventing waste and will otherwise be in the best interest of conservation.

WHEREFORE, Yates Petroleum Corporation, requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 3, 1998, and, after notice and hearing as required by law, the Division enter its order granting this application, 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 which authorize a second well on each spacing or proration unit in the North Shoe Bar-Atoka Gas Pool.

Respectfully submitted,

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

By:

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

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ATTORNEYS FOR YATES PETROLEUM
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