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OIL CONSERVATION DIV.

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October 6, 1998

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

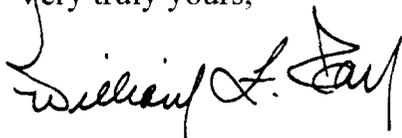
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Re: *Application of Yates Petroleum Corporation, for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico*

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Yates Petroleum Corporation, in the above-referenced case as well as a legal advertisement. Yates, respectfully requests that this matter be placed on the docket for the November 5, 1998 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Douglas Hurlbut (w/enclosures)
Yates Petroleum Corporation

**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,
EDDY COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2 of Section 12, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, and in support hereof states:

1. Yates is a working interest owner in the S/2 of said Section 12. and Yates has the right to drill thereon.
2. Yates operates the Ceniza AGZ Com Well No. 2 which was drilled in 1990 at a standard location 660 feet from the South line and 725 feet from the West line of said Section 12 to test the Canyon Formation. The S/2 of Section 12 is dedicated to the well. The production from the Canyon formation had declined to a point where in July, 1998, Yates filed an Application on Division Form C-101 for a permit to deepen and recomplete this well in the Atoka and Morrow formations, Undesignated Cemetery-Morrow Gas Pool. This permit was approved by the Division's District Office in Artesia and the well has been recompleted in the Atoka and Morrow formations.

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OIL CONSERVATION DIV.

3. The spacing and well location requirements for this well are established by Division Rule 104 C.(2)(b) which provides for wells at this depth to be located on a designated drilling tract consisting of 320 surface contiguous acres with wells located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet nor to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Accordingly, this location in the Atoka and Morrow formation is too close to the West line of Section 12.

4. This acreage was communitized in the Canyon formation but Yates has sought and been unable to reach an agreement with Fina Oil & Chemical Company owner of an undivided working interest under the S/2 of Section 12 for the development of the Atoka and Morrow formation.

5. 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.

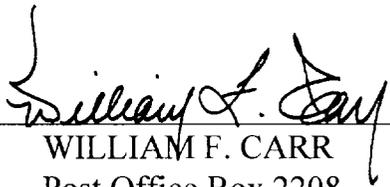
6. In order to permit Yates to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 5, 1998, and, after notice and hearing as required by law, the Division enter its order (1) approving the unorthodox well location of the Ceniza AGZ Com Well No. 2, 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.

By: 
WILLIAM F. CARR
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ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE 12082

Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests underlying the S/2 Section 12, Township 20 South, Range 24 East in all formations developed on 320-acre spacing including but not limited to the Atoka and Morrow formations, Undesignated Cemetery-Morrow Gas Pool. Said units are to be dedicated to the Ceniza AGZ Com Well No. 2 which has been reentered and recompleted in these formations at an unorthodox gas well location 660 feet from the South line and 725 feet from the West line of said Section 12. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 19 miles southwest of Artesia, New Mexico.

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