

**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,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12912

COPIES TO: 12/18/85
OIL CONSERVATION DIV.

APPLICATION

COMES NOW, YATES PETROLEUM CORPORATION (“Yates”), through their undersigned attorneys, hereby make application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool, the Undesignated Crozier Bluff-Atoka Gas Pool and the Undesignated Northeast Happy Valley-Strawn Pool; and the SE/4 for all formations and/or pools developed on 160-acre spacing, and in support of this application state:

1. Yates is a working interest owners in the acreage to be pooled in said Section 25 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing or proration unit to their proposed Louise “AYI” Well No. 1 to be drilled at a

standard location 1630 feet from the South line and 682 feet from the East line to a depth of approximately 12,000 feet to test any and all formations from the surface to the base of the Morrow formation.

3. Yates has sought and been unable to reach a voluntary agreement for development of the S/2 of Section 25 from those owners identified on the Notification List attached to this application as Exhibit A.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the 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 Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation request that this application be set for hearing before an Examiner of the Oil Conservation Division on August 22, 2002, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Yates Petroleum Corporation operator of these units and the well to be drilled thereon,
- C. authorizing Yates to recover its costs of drilling, equipping and completing the well,

- D. 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, and
- E. imposing a penalty for the risk assumed by Yates Petroleum Corporation in drilling and completing the well against any working interest owner who does not voluntarily participate therein.

Respectfully submitted,

HOLLAND & HART LLP

By:  for

William F. Carr

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ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CASE 12912 : Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool, the Undesignated Crozier Bluff-Atoka Gas Pool and the Undesignated Northeast Happy Valley-Strawn Pool; and the SE/4 for all formations and/or pools developed on 160-acre spacing. Said units are to be dedicated to the Louise "AYI" Well No. 1 to be drilled at a standard gas well location 1630 feet from the South line and 682 feet from the East line of said Section 25 to a depth of approximately 12,000 feet to test all formations from the surface to the base of the Morrow formation. 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 Yates Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 12 miles southeast of Lakewood, New Mexico.

NOTIFICATION LIST
**APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO**

EXHIBIT A

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