

REGISTRATION DIVISION
RECEIVED

'91 JAN 4 AM 9 12



January 3, 1991

DC
Case - 9978

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Attention: David R. Catanach

Re: Case No. 9978
Order No. R-9214
Prickly Paer Federal #1
Eddy Co., NM

Gentlemen:

Pursuant to the terms of the captioned order, enclosed please find a copy of the itemized schedule of actual well costs involved in the drilling and completion of the captioned well.

Said schedule has been provided to all working interest owners.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj
Enclosure

YATES ENERGY CORPORATION
 PRICKLY PEAR FED. #1
 511-001

NOVEMBER, 1990

	COSTS TO CASING PT.	COMP. COSTS	TOTAL WELL COSTS
INTANGIBLE COSTS:			
LOCATION			
SURVEY, ETC.	1,246		1,246
PERMIT & ARCHAEOLOGICAL	353		353
SURFACE TENANT COSTS	500		500
ROAD, PAD, & CLEAN-UP	6,798	1,274	8,072
DRILLING			
FOOTAGE	52,712		52,712
DAYWORK	6,075	2,372	8,447
DRILLING FLUIDS			
MUD, OIL, & CHEMICALS	3,221		3,221
BRINE & WATER	8,252	3,432	11,683
CEMENT			
SURFACE	2,943		2,943
INTERMEDIATE			0
PRODUCTION		32,186	32,186
SERVICES			
OPEN HOLE LOGS	11,429		11,429
TESTING: DST			0
PULLING UNIT		6,653	6,653
CBL LOG & PERFORATING		3,608	3,608
ACIDIZE		22,996	22,996
CASING CREW		2,407	2,407
HAULING			
OIL, WATER, ETC.			0
EQUIPMENT	124	2,272	2,396
RENTAL			
EQUIPMENT	2,348	6,675	9,023
WATER STORAGE & TEST TANKS	953	1,156	2,109
SUPPLIES			
			0
INSURANCE			
			0
SUPERVISION			
GEOLOGICAL & MUD LOGGER	3,960		3,960
ENGINEER	1,614	1,823	3,437

YATES ENERGY CORPORATION
 PRICKLY PEAR FED. #1
 511-001

NOVEMBER, 1990

	COSTS TO CASING PT.	COMP. COSTS	TOTAL WELL COSTS
OVERHEAD	1,342	929	2,271
CONTINGENCIES	1,840	11,723	3,563
TOTAL INTANGIBLES	105,711	89,506	195,217
TANGIBLE COSTS:			
CASING			
SURFACE	4,178		4,178
INTERMEDIATE			0
PRODUCTION		8,889	8,889
TUBING			0
WELLHEAD			0
TANK BATTERY			
TANKS		10,641	10,641
HEATER-TREATER		2,890	2,890
FLOWLINE			
LINE & VALVES		734	734
LABOR & DIRT WORK			0
MISCELLANEOUS	216	4,251	4,467
TOTAL TANGIBLES	4,394	27,406	31,800
TOTAL WELL	110,105	116,912	227,017



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

July 11, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Ernest L. Padilla
Padilla & Snyder
Attorneys at Law
Post Office Box 2523
Santa Fe, New Mexico

Re: CASE NO. 0088
ORDER NO. R-9214

Applicant:

Yates Energy Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other William F. Carr

OIL CONSERVATION DIVISION
RECEIVED

'90 AUG 31 AM 8 07



August 29, 1990

SR
CASE FILE
9978

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Attention: David R. Catanach

Re: Case No. 9978
Order No. R-9214
Prickly Pear Federal #1
Eddy County, NM

Gentlemen:

Pursuant to the terms of the captioned order, enclosed please find a copy of our AFE which was provided to all working interest owners in the captioned well. Drilling operations were commenced on August 19, 1990.

The following owners are non-consenting working interest owners in the drilling of the captioned well.

HEYCO Employees, Ltd.
Explorers Petroleum Corporation
Spiral, Inc.
W. T. Wynn
Chevron U.S.A., Inc.

Should you require any further information, please advise.

Yours very truly,

YATES ENERGY CORPORATION

A handwritten signature in cursive script that reads "Sharon R. Hamilton".

Sharon R. Hamilton
Landman

SRH/jj
Enclosure

YATES ENERGY CORPORATION

LEASE NAME & WELL NUMBER: PRICKLY PEAR FEDERAL NO. 1
 LEGAL LOCATION: NE/4NW/4 of SECTION 12, T-18S, R-31E
 COUNTY: EDDY STATE: NEW MEXICO DEPTH: 5,000' FORMATION: SAN ANDRES

Item	TO CASING POINT	COMPLETION	TOTAL WELL
<u>INTANGIBLE COSTS:</u>			
Location:			
Survey, etc.	\$800	\$0	\$800
Permit & Archaeological Services	1,000	0	1,000
Surface tenant costs	500	500	1,000
Road, pad & clean-up	10,000	2,500	12,500
Drilling:			
Footage -5,000' @ \$12.5/ft.	62,500	0	62,500
Daywork - 2.0/1.0 days @ \$4,000/day	8,000	4,000	12,000
Drilling Fluids:			
Mud, oil & chemicals (mud sweeps only)	7,500	0	7,500
Brine & Water	12,500	1,000	13,500
Cement:			
8-5/8" x 11" x 350', circulate	6,000	0	6,000
4-1/2" x 7-7/8" x 5000', circulate	0	23,000	23,000
Services:			
OH Logs: GR-CN-LDT & DLL w/MSFL	9,500	0	9,500
Testing: 1 DST, Potential test	4,000	1,500	5,500
Pulling unit	0	7,200	7,200
GR-CNL-CBL Log & Perforate	0	5,000	5,000
Acid: 1 @ 250 gal. & 1 @ 3000 gal.	0	6,500	6,500
Csg. crews	0	2,500	2,500
Hauling:			
Oil, water, etc.	500	500	1,000
Equipment	1,000	1,000	2,000
Rental:			
Rotating Hd., PVT, H2S, BOP, pipe racks, etc.	2,400	2,500	4,900
Water storage & test tanks	1,000	1,000	2,000
Supplies:			
Sample sx., pipe dope, etc.	1,000	500	1,500
Insurance:			
Normal, pro-rated	900	700	1,600
Supervision:			
Geological & Mud Logger (3/6)	3,600	0	3,600
Engineering (3/7)	1,650	3,500	5,150
Overhead (9/7)	1,350	1,050	2,400
Contingencies:			
<u>Welding, packers, taxes (6%), misc. tools, etc.</u>	<u>8,260</u>	<u>6,490</u>	<u>14,750</u>
TOTAL INTANGIBLES	143,960	70,940	214,900
<u>TANGIBLE COSTS:</u>			
Casing:			
Surface: 350' of 8-5/8" @ \$10./ft.	3,500	0	3,500
Production: 5,000' of 4-1/2" @ \$4.5/ft.	0	22,500	22,500
Tubing:			
5,000' of 2-3/8" @ \$2.25/ft.	0	11,300	11,300
Wellheads:			
Drilling and completion assembly	1,000	5,100	6,100
Tank Btty:			
2 -300 Bbl (0) 1 -300 Bbl. FO (W)	0	10,000	10,000
4' x 20' Heater-treater	0	6,500	6,500
Flowline:			
500 @ \$3.50/ft. incl. valves, etc.	0	1,800	1,800
Labor & dirt work:	0	2,500	2,500
Miscellaneous:			
<u>Packer, tools, tax (6%), etc.</u>	<u>1,270</u>	<u>12,060</u>	<u>13,330</u>
TOTAL INTANGIBLES	5,770	71,760	77,530
TOTAL WELL	<u>\$149,730</u>	<u>\$142,700</u>	<u>\$292,430</u>

Prepared by: Jim O'Briant March 5, 1990

IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR
 HEREIN ARE ESTIMATED ONLY, AND APPROVAL OF THIS
 AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS
 INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED,
 WHETHER MORE OR LESS THAN HEREIN SET OUT.

APPROVED BY: _____

COMPANY: _____

DATE: _____

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF YATES ENERGY CORPORATION
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED

JUN 27 1990

*CASE FILE
9978*

CASE NO. 9978

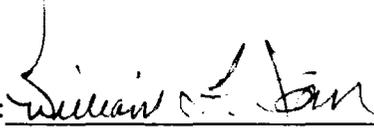
OIL CONSERVATION DIV.
SANTA FE

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its appearance in the above referenced case on behalf of EXPLORERS PETROLEUM CORPORATION, SPIRAL INC.; HEYCO EMPLOYEES LTD., and W.T. WYNN.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

Telephone: (505) 988-4421

ATTORNEYS FOR EXPLORERS
PETROLEUM CORPORATION
SPIRAL INC.
HEYCO EMPLOYEES LTD.
W.T. WYNN

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINES

RECEIVED

JUN 27 1990

OIL CONSERVATION DIV.
SANTA FE

CASE NO. 9978

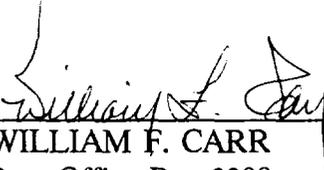
IN THE MATTER OF THE APPLICATION
OF YATES ENERGY CORPORATION
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its appearance in the above referenced case on behalf of EXPLORERS PETROLEUM CORPORATION, SPIRAL INC.; HEYCO EMPLOYEES LTD., and W.T. WYNN.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

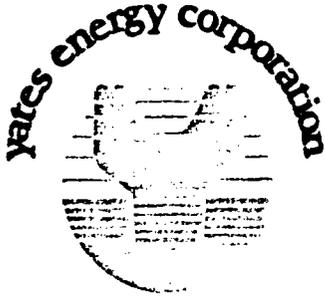
Santa Fe, New Mexico 87504-2208

Telephone: (505) 988-4421

ATTORNEYS FOR EXPLORERS
PETROLEUM CORPORATION
SPIRAL INC.
HEYCO EMPLOYEES LTD.
W.T. WYNN

3:47pm
3-9-90
HEYCO
SIGNED

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
Yates Energy EXHIBIT NO. 6
CASE NO. 9978



March 9, 1990

HAND DELIVERED

Shari A. Darr
Harvey E. Yates Company
One Sunwest Centre
Roswell, New Mexico 88201

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy County, New Mexico

Dear Shari:

Yates Energy Corporation proposes to drill the Prickly Pear Federal Well #1 to approximately 5,000' to test the San Andres Formation at a legal location in the NE/4NW/4 Section 12-18S-31E, Eddy County, New Mexico. Pursuant to the terms of the Option Agreement for Corporate Separation, this exploratory well will be drilled and operated by Yates Energy Corporation.

Enclosed for your consideration and further handling please find the following:

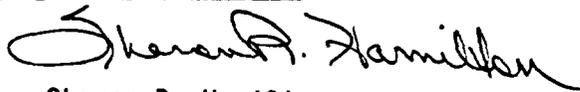
1. Joint Operating Agreement covering the N/2 of Section 12-18S-31E as the Contract Area, along with an extra set of signature pages.
2. Two copies of the Memorandum of Joint Operating Agreement.
3. Two copies of an AFE covering estimated costs of the proposed well.
4. Copy of geological write-up prepared by Bill Baker.

Shari A. Darr
Harvey E. Yates Company
March 9, 1990
Page Two

Please notify this office within 60 days of receipt of this proposal whether HEYCO elects to participate in the cost of the proposed operation. Should you elect to participate, please return your executed signature page to the Joint Operating Agreement with executed Memorandum, and approved AFE to our office. Your prompt attention in this matter is appreciated.

Very truly yours,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/mm

Enclosures



March 26, 1990

HAND DELIVERED

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88202

Attention: George M. Yates, President

Re: Taylor Deep "12" Federal #5
NW/4NW/4 Section 12-18S-31E
Eddy County, New Mexico

Gentlemen:

We have received your well proposal for the drilling of the captioned well for a Bone Springs formation test. You have also submitted a Joint Operating Agreement for the Taylor Shallow Unit covering shallow rights in the N/2 of Section 12-18S-31E.

There are presently two existing Operating Agreements for this area:

1. Taylor Deep Working Interest Area with Harvey E. Yates Company as Operator, covering Section 12 & 13-18S-31E, limited to depths under Contract Area A & B from 3595' to 9500' and Contract Area C from the Base of the Delaware formation to 9500'.
2. Prickly Pear Prospect with Yates Energy Corporation as Operator, covering the N/2 of Section 12-18S-31E, limited in depths under Contract Area A from the surface to the Base of the Delaware formation and Contract Area B from the surface to 3594'.

These Operating Agreements existed prior to the submittal of your Taylor Shallow Unit Operating Agreement, therefore we see no reason for its submittal.

Yates Energy Corporation consents to the drilling of the Bone Springs test at the captioned location, attached please find our executed AFE. We would request that a mud logging unit be placed on the well prior to drilling into the San Andres formation, at approximately 3000', and that the San Andres interval be tested on the way down. In the event the well is not capable of producing in

Harvey E. Yates Company
Taylor Deep "12" Federal #5
March 26, 1990
Page 2

paying quantities in the depth interval covered by the Taylor Deep Operating Agreement, and a shallow completion is warranted, we would agree to allow you to operate said shallow completion, limited however to the proration unit established for said production.

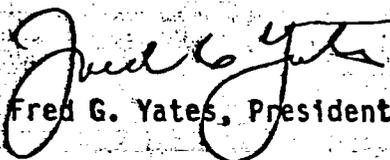
If the deeper zones are productive, and if a shallow well is warranted, we would drill and operate said shallow well under the terms of our prior Prickly Pear Prospect Operating Agreement.

As you know, the drilling proposal of the Prickly Pear Prospect was subject to the terms of the Option Agreement for Corporate Separation, which provides that the first party to propose a well on mutually owned property shall be designated as operator of the contract area. Therefore, your response is requested within the sixty day notice period of our submittal of said Prickly Pear Prospect, otherwise the automatic farmout provision will be in effect under the Exploratory Well Operations provision.

We request that you honor our Operating Agreement for the shallow rights which was submitted prior to your Taylor Shallow Operating Agreement, and further request that you withdraw said Taylor Shallow Operating Agreement. If we are unable to reach an amiable agreement, we will insist this problem be resolved by a third party.

Yours very truly,

YATES ENERGY CORPORATION


Fred G. Yates, President

FGY/srh

Enclosures

cc: *Nerald Hewley*
cc: *Bill Oater*



May 9, 1990

HAND DELIVERED

Harvey E. Yates Company
One Sunwest Centre
Roswell, New Mexico 88201

Attention: A. J. Deans

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy County, New Mexico

Gentlemen:

We have received your letter of May 8, 1990 concerning the drilling of the captioned prospect. Please be advised that the spin-off agreement does not permit a conditional acceptance in your election to participate in this prospect. The contract area covered by the Operating Agreement dated March 9, 1990 will remain as originally proposed by Yates Energy Corporation.

Said prospect was designated as an exploratory prospect pursuant to the terms as stated in the spin-off agreement. We will grant HEYCO a twenty-four (24) hour extension from receipt of this letter to allow sufficient time to respond should you elect to participate in the prospect as presented, or be subject to the automatic farmout provisions as provided in said spin-off agreement. Should you elect to participate, return the executed signature to the Operating Agreement to our office no later than 5:00 PM on May 10, 1990.

Very truly yours,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj



May 11, 1990

Harvey E. Yates Company
One Sunwest Centre
Roswell, New Mexico 88201

HAND DELIVERED

Attention: Robert H. Bell

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy County, New Mexico

Gentlemen:

We have received your letter of May 8, 1990 proposing the Northeast Taylor WIA and Joint Operating Agreement dated May 7, 1990 covering the shallow rights in the NE/4 of Section 12-18S-31E. We have also received your letter of May 10, 1990 indicating your refusal to execute the Joint Operating Agreement dated March 9, 1990 covering the captioned prospect area.

Please be advised that the submittal of the Operating Agreement covering the NE/4 of Section 12-18S-31E is subsequent in time to our original proposal, and is therefore ineffective in as much as the Prickly Pear Prospect covers the same acreage and was submitted first.

In respect to your letter dated May 10, 1990, we again request that you execute the Joint Operating Agreement for the Prickly Pear Prospect in order that there can be a definitive agreement as to the contract area. According to the terms of the spin-off agreement, the operation and development of jointly owned property will be governed by the terms of the operating agreement which was attached as Exhibit "3" to said spin-off agreement. Said spin-off agreement also provided that the party who first proposes a well and gives notice thereof shall be designated as operator of the contract area under the operating agreement that covers all of the oil and gas interests in the prospect. This was accomplished in our drilling proposal of the Prickly Pear Federal Well #1 and the submittal of our Joint Operating Agreement dated March 9, 1990 which

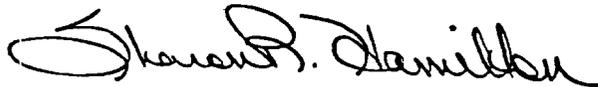
Harvey E. Yates Company
May 11, 1990
Page 2

described the contract area and the ownership therein. According to the spin-off agreement, the first party to submit will be designated Operator for that prospect regardless of the election to participate. Our submittal of March 9, 1990 was first in time and therefore controls as to the contract area.

The legal result is the same whether or not you execute the operating agreement. However, we again request that you execute our Joint Operating Agreement dated March 9, 1990 to avoid further controversy in this matter.

Very truly yours,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj



May 17, 1990

HAND DELIVERED

Explorers Petroleum Corporation
Spiral Inc.
P. O. Box 1933
Roswell, NM 88201

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy Co., NM

Gentlemen:

Yates Energy Corporation proposes to drill the Prickly Pear Federal Well #1 to approximately 5,000' to test the San Andres Formation at a legal location in the NE/4NW/4 Section 12-18S-31E, Eddy County, NM.

Enclosed for your consideration and further handling please find the following:

1. Joint Operating Agreement dated 3/9/90 covering the N/2 of Section 12-18S-31E as the Contract Area, along with an extra set of signature pages.
2. One copy of the Memorandum of Joint Operating Agreement and an extra set of signature pages.
3. Two copies of an AFE covering the estimated costs of the proposed well.
4. Copy of geological write-up prepared by Bill Baker, Jr., Chief Geologist.

Prickly Pear Prospect
May 17, 1990
Page 2

Please notify this office at your earliest convenience concerning your participation in the drilling of this prospect. Should you elect to participate, please return your executed signature pages to the Joint Operating Agreement and Memorandum, along with your approved AFE to our office. Your prompt attention in this matter is appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj
Enclosures



May 17, 1990

W. T. Wynn
1603 West Dengar
Midland, TX 79705

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy Co., NM

Dear Mr. Wynn:

Yates Energy Corporation proposes to drill the Prickly Pear Federal Well #1 to approximately 5,000 feet to test the San Andres Formation at a legal location in the NE/4NW/4 Section 12-18S-31E, Eddy County, NM.

Enclosed for your consideration and further handling please find the following:

1. Joint Operating Agreement dated March 9, 1990 covering the N/2 of Section 12-18S-31E as the Contract Area, along with an extra set of signature pages.
2. One copy of the Memorandum of Joint Operating Agreement and an extra set of signature pages.
3. Two copies of an AFE covering the estimated costs of the proposed well.
4. Copy of geological write-up prepared by Bill Baker, Jr., Chief Geologist.

Please notify this office at your earliest convenience concerning your participation in the drilling of this prospect. Should you elect to participate, please return your executed signature pages to the Joint Operating Agreement and Memorandum, along with your approved AFE to our office.

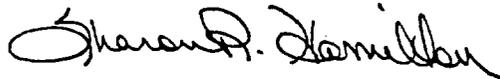
Prickly Pear Prospect
May 17, 1990
Page 2

Should you wish to discuss this well proposal or the geology, please contact the undersigned or Bill Baker, Jr. at our office number Area Code (505) 623-4935.

In the event you do not wish to participate in the drilling of said well, we would appreciate the opportunity to discuss this matter with you or to negotiate a possible farmout. Therefore, your prompt attention in this matter is appreciated.

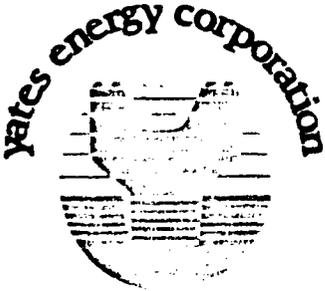
Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj
Enclosures



May 17, 1990

Chevron USA, Inc.
P. O. Box 1150
Midland, TX 79702

Attention: Mickey Cohlmia

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy Co., NM

Dear Mr. Cohlmia:

Yates Energy Corporation proposes to drill the Prickly Pear Federal Well #1 to approximately 5,000 feet to test the San Andres Formation at a legal location in the NE/4NW/4 Section 12-18S-31E, Eddy County, NM.

Enclosed for your consideration and further handling please find the following:

1. Joint Operating Agreement dated March 9, 1990 covering the N/2 of Section 12-18S-31E as the Contract Area, along with an extra set of signature pages.
2. One copy of the Memorandum of Joint Operating Agreement and an extra set of signature pages.
3. Two copies of an AFE covering the estimated costs of the proposed well.
4. Copy of geological write-up prepared by Bill Baker, Jr., Chief Geologist.

Please notify this office at your earliest convenience concerning your participation in the drilling of this prospect. Should you elect to participate, please return your executed signature pages to the Joint Operating Agreement and Memorandum, along with your approved AFE to our office.

Prickly Pear Prospect
May 17, 1990
Page 2

Should you wish to discuss this well proposal or the geology, please contact the undersigned or Bill Baker, Jr. at our office number Area Code (505) 623-4935.

In the event you do not wish to participate in the drilling of said well, we would appreciate the opportunity to discuss this matter with you or to negotiate a possible farmout. Therefore, your prompt attention in this matter is appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj
Enclosures



May 24, 1990

Hand Delivered

Harvey E. Yates Company
One Sunwest Centre
Roswell, NM 88201

Attn: Robert H. Bell

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy Co., NM

Gentlemen:

To date, we have had no response to our letter of May 11, 1990 requesting that you execute our Joint Operating Agreement dated March 9, 1990 covering the captioned prospect.

Inasmuch as you have refused to execute said Operating Agreement, and that the operation and development of jointly owned property will be governed by the terms of the operating agreement which was attached as Exhibit "3" to the spin-off agreement, we herein request that you execute this letter in the space provided to acknowledge the designated contract area and overhead rates which will apply as to the captioned prospect.

Operator: Yates Energy Corporation
Contract Area: Township 18 South, Range 31 East, N.M.P.M.
"A" Section 12: SW/4NW/4, NW/4NW/4,
NE/4NW/4, NW/4NE/4
NE/4NE/4, SE/4NE/4
Containing 240 acres, more or less, covering
rights from the surface to the Base of the
Delaware formation.
"B" Section 12: SE/4NW/4, SW/4NE/4
Containing 80 acres, more or less, covering
rights from the surface to 3594 feet subsurface.

Harvey E. Yates Company
Robert H. Bell
May 23, 1990
Page 2

Oil and Gas Lease:

Lease #1

NM-2537 dated 10/1/80

Lessor: USA

Lessee: Galaxy Oil Company, et al
only insofar as said lease covers the
NE/4 Section 12-18S-31E

Lease #2

NM-2538 dated 10/1/80

Lessor: USA

Lessee: Galaxy Oil Company, et al
only insofar as said lease covers the
NW/4 Section 12-18S-31E

Overhead Rates:

Drilling Well \$3,200

Producing Well \$ 320

Please return one executed form of this letter to our office by June 8, 1990. Your prompt attention is appreciated.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

Acknowledged this _____ day of _____, 1990.

Harvey E. Yates Company

By: _____

Title: _____

SRH/jj
Enclosure



June 20, 1990

HAND DELIVERED

Harvey E. Yates Company
HEYCO Employees, Ltd.
P. O. Box 1933
Roswell, New Mexico 88202-1933

Re: Prickly Pear Prospect
N/2 Section 12-18S-31E
Eddy Co., NM

Gentlemen:

As you will recall on March 9, 1990, Yates Energy Corporation proposed the drilling of the captioned prospect by submitting an AFE for the Prickly Pear Federal #1 Well, to test the San Andres Formation at approx 5,000', at a legal location in the NE/4NW/4 Section 12-18S-31E, Eddy County, New Mexico. An Operating Agreement dated March 9, 1990 covering the captioned prospect acreage was also submitted.

After title verification, we have revised the ownership listing in the Exhibit "A" to the aforementioned Operating Agreement to reflect the interest that has recently been assigned to HEYCO Employees, Ltd. As you know, we have recently filed a compulsory pooling application with the Oil Conservation Division to pool the NE/4NW/4 of Section 12 for the drilling of a San Andres test. We consider the interest of HEYCO Employees, Ltd. to be subject to the compulsory pooling application.

We have also revised the name of Harvey E. Yates Company to HEYCO Development Corporation, pursuant to title information concerning a recent assignment. Enclosed please find the revised signature pages and Exhibit "A" to be inserted in said Operating Agreement.

Also enclosed please find two forms of AFE for Execution by HEYCO Employees, Ltd. We again respectfully request that you execute the Operating Agreement dated March 9, 1990 covering the captioned prospect area.

Harvey E. Yates Company
HEYCO Employees, LTD.
June 20, 1990
Page 2

The Oil Conservation Division, in Case 9978, has scheduled our application for compulsory pooling at the regularly scheduled Examiner Hearing on June 27, 1990 to pool the uncommitted working interest owners under said application.

Yours very truly,

YATES ENERGY CORPORATION



Sharon R. Hamilton
Landman

SRH/jj
Enclosures

YATES ENERGY CORPORATION

LEASE NAME & WELL NUMBER: PRICKLY PEAR FEDERAL NO. 1
 LEGAL LOCATION: NE/4NW/4 of SECTION 12, T-18S, R-31E
 COUNTY: EDDY STATE: NEW MEXICO DEPTH: 5,000' FORMATION: SAN ANDRES

Item	TO CASING POINT	COMPLETION	TOTAL WELL
INTANGIBLE COSTS:			
Location: Survey, etc.	\$800	\$0	\$800
Permit & Archaeological Services	1,000	0	1,000
Surface tenant costs	500	500	1,000
Road, pad & clean-up	10,000	2,500	12,500
Drilling: Footage -5,000' @ \$12.5/ft.	62,500	0	62,500
Daywork - 2.0/1.0 days @ \$4,000/day	8,000	4,000	12,000
Drilling Fluids: Mud, oil & chemicals (mud sweeps only)	7,500	0	7,500
Brine & Water	12,500	1,000	13,500
Cement: 8-5/8" x 11" x 350', circulate	6,000	0	6,000
4-1/2" x 7-7/8" x 5000', circulate	0	23,000	23,000
Services: OH Logs: GR-CN-LDT & DLL w/MSFL	9,500	0	9,500
Testing: 1 DST, Potential test	4,000	1,500	5,500
Pulling unit	0	7,200	7,200
GR-CNL-CBL Log & Perforate	0	5,000	5,000
Acid: 1 @ 250 gal. & 1 @ 3000 gal.	0	6,500	6,500
Csg. crews	0	2,500	2,500
Hauling: Oil, water, etc.	500	500	1,000
Equipment	1,000	1,000	2,000
Rental: Rotating Hd., PVT, H2S, BOP, pipe racks, etc.	2,400	2,500	4,900
Water storage & test tanks	1,000	1,000	2,000
Supplies: Sample sx., pipe dope, etc.	1,000	500	1,500
Insurance: Normal, pro-rated	900	700	1,600
Supervision: Geological & Mud Logger (3/6)	3,600	0	3,600
Engineering (3/7)	1,650	3,500	5,150
Overhead (9/7)	1,350	1,050	2,400
Contingencies: <u>Welding, packers, taxes (6%), misc. tools, etc.</u>	<u>8,260</u>	<u>6,490</u>	<u>14,750</u>
TOTAL INTANGIBLES	143,960	70,940	214,900
TANGIBLE COSTS:			
Casing: Surface: 350' of 8-5/8" @ \$10./ft.	3,500	0	3,500
Production: 5,000' of 4-1/2" @ \$4.5/ft.	0	22,500	22,500
Tubing: 5,000' of 2-3/8" @ \$2.25/ft.	0	11,300	11,300
Wellheads: Drilling and completion assembly	1,000	5,100	6,100
Tank Btty: 2 -300 Bbl (0) 1 -300 Bbl. FO (W)	0	10,000	10,000
4' x 20' Heater-treater	0	6,500	6,500
Flowline: 500 @ \$3.50/ft. incl. valves, etc.	0	1,800	1,800
Labor & dirt work:	0	2,500	2,500
Miscellaneous: <u>Packer, tools, tax (6%), etc.</u>	<u>1,270</u>	<u>12,060</u>	<u>13,330</u>
TOTAL INTANGIBLES	5,770	71,760	77,530
TOTAL WELL	<u>\$149,730</u>	<u>\$142,700</u>	<u>\$292,430</u>

Prepared by: Jim O'Briant March 5, 1990

IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY, AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED, WHETHER MORE OR LESS THAN HEREIN SET OUT.

APPROVED BY:

COMPANY:

DATE:

BEFORE EXAMINER CATANACH
 CONSERVATION DIVISION
 YATES Energy
 PERMIT NO. 7
 CAS 9978

Survey Results — 1989

Region: West Texas and Eastern New Mexico-5

Oil Wells

Responses 1989 1988		Depth in Feet Over Not Over		Monthly Drilling Well Rates				Monthly Producing Well Rates			
				1989		1988		1989		1988	
				Average or Mean	Median	Average or Mean	Median	Average or Mean	Median	Average or Mean	Median
147	214	0-	5,000	\$ 3,487	\$ 3,000	\$ 3,069	\$ 3,000	\$ 335	\$ 300	\$ 318	\$ 300
115	163	5,000-	10,000	4,541	4,000	4,066	4,000	438	400	407	390
42	76	10,000-	15,000	6,082	5,000	4,939	5,000	581	500	520	500
10	26	15,000-	20,000	6,042	6,000	5,594	5,763	649	620	634	592
10	16	20,000		5,679	5,737	5,554	5,953	619	620	673	595
32	29	No Depth Limit		5,396	5,490	4,961	5,200	541	570	561	530

Gas Wells

Responses 1989 1988		Depth in Feet Over Not Over		Monthly Drilling Well Rates				Monthly Producing Well Rates			
				1989		1988		1989		1988	
				Average or Mean	Median	Average or Mean	Median	Average or Mean	Median	Average or Mean	Median
115	151	0-	5,000	\$ 3,265	\$ 3,042	\$ 3,202	\$ 3,000	\$ 318	\$ 300	\$ 325	\$ 300
86	119	5,000-	10,000	4,914	4,000	4,109	4,000	469	400	419	400
38	64	10,000-	15,000	6,134	5,000	4,940	5,000	566	450	524	500
11	23	15,000-	20,000	6,049	6,000	5,434	5,658	642	620	633	582
10	15	20,000		5,674	5,688	5,506	5,953	620	620	676	595
32	28	No Depth Limit		5,320	5,490	5,035	5,000	535	562	567	530

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

Yates Energy EXHIBIT NO. 8

CASE NO. 9978