

August 10, 1995

LOSEE, CARSON, HAAS & CARROLL  
Attorneys at Law  
P. O. Drawer 239  
Artesia, New Mexico 88211-0239

**ATTN: Ernest Carroll**

**RE: CASE NO. 11263  
CASE NO. 11265  
ORDER NO. R-10434**

Dear Sir:

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

Sincerely,

  
Sally E. Martinez  
Administrative Secretary

Enclosure

cc: BLM - Carlsbad  
Tom Kellahin  
Taxation & Revenue Dept.

LAW OFFICES  
LOSEE, CARSON, HAAS & CARROLL, P. A.

MARY LYNN BOGLE  
ERNEST L. CARROLL  
JOEL M. CARSON  
DEAN S. CROSS  
JAMES E. HAAS  
A. J. LOSEE  
GARRY D. SEWERE

300 YATES PETROLEUM BUILDING  
P. O. BOX 1720  
ARTESIA, NEW MEXICO 88211-1720

TELEPHONE  
(505) 746-3505  
TELECOM  
(505) 746-8316

FAX TRANSMITTAL DATE: 8/7/95

PLEASE DELIVER THE FOLLOWING PAGE(S) TO:

NAME: Hand Carroll

FIRM: NMOC

FAX NO. ( ) 827-8177 FIRM NO. \_\_\_\_\_

SENDER: Ernest Carroll

TOTAL NUMBER OF PAGES (INCLUDING THIS SHEET): 20

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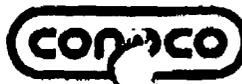
(505) 746-3505 ASK FOR: Handy

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MESSAGE:

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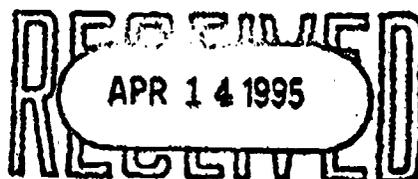
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Midland Division  
Exploration Production

Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, TX 79705-4500  
(915) 686-5400

Date April 12, 1995



Company Yates

AFE Number 95-065-0

Property Ross 'EG" Fed. Com

Project Drill & Complete

Well No. 14

Gentlemen:

The subject project has been approved by Conoco Inc. Enclosed is your copy of the letter ballot signed by our representative.

Sincerely,

Kristy S. Ward  
Senior Administrative Assistant

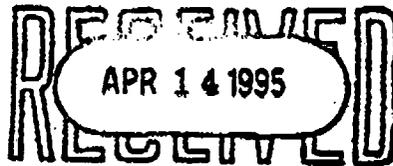
Enc.



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Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, TX 79705-4500  
(915) 686-5400

Date April 12, 1995



Company Yates

AFE Number 95-065-0

Property Ross 'EG" Fed. Com

Project Drill " Complete

Well No. 14

Gentlemen:

The subject project has been approved by Conoco Inc. Enclosed is your copy of the letter ballot signed by our representative.

Sincerely,  
*Kristy Ward*

Kristy S. Ward  
Senior Administrative Assistant

Enc.



**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING & RECOMPLETION

AFE INC. 93-003-U  
AFE DATE 2/23/95

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
	<input type="checkbox"/> Injector	

AFE STATUS:

Original

Revised

Final

LEASE NAME	Ross 'EG' Federal Com #14	PROJ'D DEPTH	8300'
COUNTY	Eddy	STATE	New Mexico
LEGAL DESC.	660' FNL & 1980' FEL	LOCATION	Section 21-19S-25E
FIELD	N. Dagger Draw	HORIZON	Canyon
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: \_\_\_\_\_

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	500	500
920-110	Location, Right-of-Way	10,800	10,800
920-120	Drilling, Footage 8300' @ \$15.15/day	125,745	125,745
920-130	Drilling, Daywork 3 days @ \$4500/day	13,500	13,500
920-140	Drilling Water, Fasline Rental	18,000	18,000
920-150	Drilling Mud & Additives	10,000	10,000
920-160	Mud Logging Unit, Sample Bags	3,600	3,600
920-170	Cementing - Surface Casing	12,500	12,500
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	11,000	11,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	6,300	6,300
920-210	Supervision & Overhead	7,500	7,500
920-220	Contingency		
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	300	300
920-350	Cementing - Production Casing		8,000
920-410	Completion Unit - Swabbing		7,800
920-420	Water for Completion		1,100
920-430	Mud & Additives for Completion		600
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		4,000
920-460	Tools & Equip. Rental, Etc. - Completion		8,000
920-470	Stimulation for Completion		10,000
920-480	Supervision & O/H - Completion		5,400
920-490	Additional LOC Charges - Completion		3,300
920-510	Bits, Tools & Supplies - Completion		2,300
920-500	Contingency for Completion		4,500
<b>TOTAL INTANGIBLE DRILLING COSTS</b>		<b>219,745</b>	<b>274,745</b>

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead	2,200	15,700
930-020	Casing 9-5/8" @ 1200'	16,800	16,800
	7" @ 8300'		80,000
930-030	Tubing 2-7/8" @ 7900'		21,500
930-040	Packer & Special Equipment		15,000
940-010	Pumping Equipment		75,000
940-020	Storage Facilities		
940-030	Separation Equip., Flowlines, Misc.		10,000
940-040	Trucking & Construction Costs		
<b>TOTAL TANGIBLE EQUIPMENT COSTS</b>		<b>19,000</b>	<b>234,000</b>

**TOTAL COSTS** 238,745 508,745

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By	<i>[Signature]</i>	Operations Approval	Surface to 7704	Below 7704
BY	YATES DRILLING COMPANY		2.187500%	2.187500%
	YATES PETROLEUM CORPORATION		40.572911%	40.572911%
BY	ABO PETROLEUM CORPORATION		2.187500%	2.187500%
BY	MYCO INDUSTRIES, INC.		2.187500%	2.187500%
BY	S.P. YATES		.260419%	.260419%

ROSS EG FED. COM #14  
 Sec. 21-T19S-R25E  
 Eddy County, New Mexico

AFE #95-065-0  
 Date: 2-23-95  
 Page 2

	Surface to 7704	Below 7704
Estate of Lillie M. Yates	0.130210	0.130210
By: _____ DATE _____		
Sharbro Oil Ltd. Co.	0.130210	0.130210
By: _____ DATE _____		
By: _____ DATE _____		
Nearburg Exploration Company	43.750000	46.093750
By: _____ DATE _____		
Conoco Inc.	<del>0.312500</del> 6.250000	<del>0.312500</del> 6.250000
By: <u>[Signature]</u> DATE <u>4/6/95</u>		
Anadarko Petroleum Corporation	2.343750	-0-
By: _____ DATE _____		
Total:	100.000000	100.000000

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1926 - 1988



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

April 12, 1995

Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705-4500

Attention: Mr. Warren Richardson

Re: Ross EG Fed. Com. #14  
Township 19 South, Range 25 East  
Section 21: NE/4  
Eddy County, New Mexico.

Dear Warren:

Per your request, please find enclosed a revised Exhibit "A" to the Operating Agreement dated August 23, 1994 covering the captioned well and spacing unit. I revised the exhibit to show the correct interest for Conoco and Anadarko above and below 7800'.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Mecca Mauritsen  
Landman

MM:dke  
enclosure(s)

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

EXHIBIT "A"

I. Lands Subject to Agreement:

Township 19 South, Range 25 East  
Section 21: NE/4

II. Restrictions as to depth of formations:

- Shallow Unit - From the surface to a depth of 7,704'
- Intermediate Unit - From a depth of 7,704' to a depth of 7,800'
- Deep Unit - Below 7,800'

III. Percentage Interests of Parties Under the Agreement:

Shallow Unit

	ACRES	% OF UNIT	INITIAL TEST WELL BEFORE PAYOUT	INITIAL TEST WELL AFTER PAYOUT & SUBSEQUENT WELLS
Yates Petroleum Corporation	64.916660	40.572911 %	40.572911 %	40.572911 %
Yates Drilling Company	3.500000	2.187500	2.187500	2.187500
Abo Petroleum Corporation	3.500000	2.187500	2.187500	2.187500
Myco Industries, Inc.	3.500000	2.187500	2.187500	2.187500
S. P. Yates	0.416670	0.260419	0.260419	0.260419
Sharbro Oil Ltd. Co.	0.208335	0.130210	0.130210	0.130210
Estate of Lillie M. Yates	0.208335	0.130210	0.130210	0.130210
Anadarko Petroleum Corporation	8.750000	5.468750	5.468750	5.468750
Conoco Inc.	5.000000	3.125000	3.125000	3.125000
Nearburg Exploration Company	62.500000	39.062500	43.750000	42.343750
Kerr-McGee Corporation	7.500000	4.687500	F/O	1.406250
	<u>160.000000</u>	<u>100.000000 %</u>	<u>100.000000 %</u>	<u>100.000000 %</u>

Intermediate Unit

	ACRES	% OF UNIT	INITIAL TEST WELL BEFORE PAYOUT	INITIAL TEST WELL AFTER PAYOUT & SUBSEQUENT WELLS
Yates Petroleum Corporation	64.916660	40.572911 %	40.572911 %	40.572911 %
Yates Drilling Company	3.500000	2.187500	2.187500	2.187500
Abo Petroleum Corporation	3.500000	2.187500	2.187500	2.187500
Myco Industries, Inc.	3.500000	2.187500	2.187500	2.187500
S. P. Yates	0.416670	0.260419	0.260419	0.260419
Sharbro Oil Ltd. Co.	0.208335	0.130210	0.130210	0.130210
Estate of Lillie M. Yates	0.208335	0.130210	0.130210	0.130210
Anadarko Petroleum Corporation	5.000000	3.125000	3.125000	3.125000
Conoco Inc.	5.000000	3.125000	3.125000	3.125000
Nearburg Exploration Company	66.250000	41.406250	46.093750	44.687500
Kerr-McGee Corporation	7.500000	4.687500	F/O	1.406250
	<u>160.000000</u>	<u>100.000000 %</u>	<u>100.000000 %</u>	<u>100.000000 %</u>

Revised 10-5-94  
Revised 10-14-94  
Revised 2-24-95  
Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

Deep Unit

	<u>ACRES</u>	<u>% OF UNIT</u>	<u>INITIAL TEST WELL BEFORE PAYOUT</u>	<u>INITIAL TEST WELL AFTER PAYOUT &amp; SUBSEQUENT WELLS</u>
Yates Petroleum Corporation	64.916660	40.572911 %	40.572911 %	40.572911 %
Yates Drilling Company	3.500000	2.187500	2.187500	2.187500
Abo Petroleum Corporation	3.500000	2.187500	2.187500	2.187500
Myco Industries, Inc.	3.500000	2.187500	2.187500	2.187500
S. P. Yates	0.416670	0.260419	0.260419	0.260419
Sharbro Oil Ltd. Co.	0.208335	0.130210	0.130210	0.130210
Estate of Lillie M. Yates	0.208335	0.130210	0.130210	0.130210
Anadarko Petroleum Corporation	- 0 -	- 0 -	- 0 -	- 0 -
Conoco Inc.	10.000000	6.250000	6.250000	6.250000
Nearburg Exploration Company	66.250000	41.406250	46.093750	44.687500
Kerr-McGee Corporation	7.500000	4.687500	F/O	1.406250
	<u>160.000000</u>	<u>100.000000 %</u>	<u>100.000000 %</u>	<u>100.000000 %</u>

IV. **Oil & Gas Leases subject to Agreement:**

1. Lessor: U.S.A.  
 Original Lessee: Virginia Spickard  
 Present Lessee: Yates Petroleum Corp. 100.000000 %  
 Expiration Date: HBP  
 Serial No. NM-0557142  
 Description: NW/4NE/4  
 Net Acres: 40.000000
  
2. Lessor: C. R. Nixon, Jr., et al  
 Original Lessee: S. P. Yates 50.000000 %  
 Martin Yates, III 50.000000  
 Present Lessee: S. P. Yates 50.000000 %  
 Sharbro Oil Ltd. Co. 25.000000  
 Estate of Lillie M. Yates 25.000000  
 Expiration Date: HBP  
 Serial No. Fee  
 Description: SW/4NE/4  
 Net Acres: 0.83334

Revised 10-5-94  
 Revised 10-14-94  
 Revised 2-24-95  
 Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

3. Lessor: Lena W. Hildt, et al

Original Lessee: Yates Petroleum Corp. 100.000000 %

Present Lessee: Yates Petroleum Corp. 100.000000 %

Expiration Date: HBP

Serial No. Fee

Description: SW/4NE/4

Net Acres: 1.66666

4. Lessor: Panhandle Royalty Company

Original Lessee: Yates Petroleum Corp. 70.000000 %  
Yates Drilling Company 10.000000  
Abo Petroleum Corp. 10.000000  
Myco Industries, Inc. 10.000000

Present Lessee: Yates Petroleum Corp. 70.000000 %  
Yates Drilling Company 10.000000  
Abo Petroleum Corp. 10.000000  
Myco Industries, Inc. 10.000000

Expiration Date: HBP

Serial No. Fee

Description: NE/4NE/4, SW/4NE/4

Net Acres: 30.00000

5. Lessor: Carl E. Ross

Original Lessee: Roger C. Hanks 100.000000 %

Present Lessee: From the surface to 7,800'  
Conoco Inc. 50.000000 %  
Anadarko Petroleum Corp. 50.000000

Below 7,800'  
Conoco Inc. 100.000000 %

Expiration Date: HBP

Serial No. Fee

Description: SW/4NE/4

Net Acres: 5.83334

Revised 10-5-94  
Revised 10-14-94  
Revised 2-24-95  
Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

6. Lessor:	Joe E. Ross	
Original Lessee:	Roger C. Hanks	100.000000 %
Present Lessee:	From the surface to 7,800'	
	Conoco Inc.	50.000000 %
	Anadarko Petroleum Corp.	50.000000
	Below 7,800'	
	Conoco Inc.	100.000000 %
Expiration Date:	HBP	
Serial No.	Fee	
Description:	SW/4NE/4	
Net Acres:	0.83334	
7. Lessor:	Alton Ross	
Original Lessee:	Roger C. Hanks	100.000000 %
Present Lessee:	From the surface to 7,800'	
	Conoco Inc.	50.000000 %
	Anadarko Petroleum Corp.	50.000000
	Below 7,800'	
	Conoco Inc.	100.000000 %
Expiration Date:	HBP	
Serial No.	Fee	
Description:	SW/4NE/4	
Net Acres:	0.83333	
8. Lessor:	Myrtle Heard	
Original Lessee:	Roger C. Hanks	100.000000 %
Present Lessee:	From the surface to 7,800'	
	Conoco Inc.	50.000000 %
	Anadarko Petroleum Corp.	50.000000
	Below 7,800'	
	Conoco Inc.	100.000000 %
Expiration Date:	HBP	
Serial No.	Fee	
Description:	SW/4NE/4	
Net Acres:	0.83333	

Revised 10-5-94  
 Revised 10-14-94  
 Revised 2-24-95  
 Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

9. Lessor:	Jewel Hickam	
Original Lessee:	Roger C. Hanks	100.000000 %
Present Lessee:	From the surface to 7,800'	
	Conoco Inc.	50.000000 %
	Anadarko Petroleum Corp.	50.000000
	Below 7,800'	
	Conoco Inc.	100.000000 %
Expiration Date:	HBP	
Serial No.	Fee	
Description:	SW/4NE/4	
Net Acres:	0.83333	
10. Lessor:	Bonnie Powell	
Original Lessee:	Roger C. Hanks	100.000000 %
Present Lessee:	From the surface to 7,800'	
	Conoco Inc.	50.000000 %
	Anadarko Petroleum Corp.	50.000000
	Below 7,800'	
	Conoco Inc.	100.000000 %
Expiration Date:	HBP	
Serial No.	Fee	
Description:	SW/4NE/4	
Net Acres:	0.83333	
11. Lessor:	Bonnie H. Morrison	
Original Lessee:	Reading & Bates, Inc.	
Present Lessee:	Surface to 7,704'	
	Anadarko Petroleum Corp.	75.000000 %
	Yates Petroleum Corp.	25.000000
	Below 7,704'	
	Yates Petroleum Corp.	100.000000 %
Expiration Date:	HBP	
Serial No.	Fee	
Description:	SW/4NE/4	
Net Acres:	1.25000	

Revised 10-5-94  
 Revised 10-14-94  
 Revised 2-24-95  
 Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL. "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

12. Lessor: Bonnie H. Morrison

Original Lessee: Nearburg Petroleum Partnership

Present Lessee: Surface to 7,704'  
Anadarko Petroleum Corp. 75.000000 %  
Yates Petroleum Corp. 25.000000

Below 7,704'  
Nearburg Exploration Co. 100.000000 %

Expiration Date: HBP

Serial No. Fee

Description: SW/4NE/4

Net Acres: 3.75000

13. Lessor: Atlantic Richfield Co.

Original Lessee: Nearburg Exploration Co.

Present Lessee: Nearburg Exploration Co. 100.000000 %

Expiration Date: January 31, 1995

Serial No. Fee

Description: SW/4NE/4

Net Acres: 5.00000

14. Lessor: Leslie P. Whitney, et ux

Original Lessee: Nearburg Exploration Co.

Present Lessee: Nearburg Exploration Co. 100.000000 %

Expiration Date: June 7, 1996

Serial No. Fee

Description: SE/4NE/4

Net Acres: 20.00000

15. Lessor: Mary Elaine Cribbs

Original Lessee: Nearburg Exploration Co.

Present Lessee: Nearburg Exploration Co. 100.000000 %

Expiration Date: June 7, 1996

Serial No. Fee

Description: SE/4NE/4

Net Acres: 20.00000

Revised 10-5-94  
Revised 10-14-94  
Revised 2-24-95  
Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

16. Lessor:	Ralph Nix, Jr.	
Original Lessee:	Nearburg Exploration Co.	
Present Lessee:	Nearburg Exploration Co.	100.000000 %
Expiration Date:	January 3, 1997	
Serial No.	Fee	
Description:	NE/4NE/4	
Net Acres:	7.50000	
17. Lessor:	Sara Garretson	
Original Lessee:	Nearburg Exploration Co.	
Present Lessee:	Nearburg Exploration Co.	100.000000 %
Expiration Date:	January 3, 1997	
Serial No.	Fee	
Description:	NE/4NE/4	
Net Acres:	7.50000	
18. Lessor:	William E. Farha Trust	
Original Lessee:	Nearburg Exploration Co.	
Present Lessee:	Nearburg Exploration Co.	100.000000 %
Expiration Date:	March 30, 1997	
Serial No.	Fee	
Description:	NE/4NE/4	
Net Acres:	2.50000	
19. Lessor:	R. B. Rodke	
Original Lessee:	Yates Petroleum Corp.	40.000000 %
	Yates Drilling Company	20.000000
	Abo Petroleum Corp.	20.000000
	Myco Industries, Inc.	20.000000
Present Lessee:	Yates Petroleum Corp.	40.000000 %
	Yates Drilling Company	20.000000
	Abo Petroleum Corp.	20.000000
	Myco Industries, Inc.	20.000000
Expiration Date:	March 6, 1998	
Serial No.	Fee	
Description:	NE/4NE/4	
Net Acres:	2.50000	

Revised 10-5-94  
 Revised 10-14-94  
 Revised 2-24-95  
 Revised 4-11-95

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED AUGUST 23, 1994, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR" AND NEARBURG EXPLORATION COMPANY, ET AL "NON-OPERATORS", COVERING LANDS LOCATED IN EDDY COUNTY, NEW MEXICO.

20. Lessor: Kerr-McGee Corporation  
 Original Lessee: Nearburg Producing Company  
 Present Lessee: Nearburg Producing Co. 100.000000 %  
 Expiration Date: September 13, 1995  
 Serial No. Fee  
 Description: SW/4NE/4, NE/4NE/4  
 Net Acres: 7.50000

**V. Addresses of Parties to which notices should be sent:**

Yates Petroleum Corporation  
 Abo Petroleum Corporation  
 Yates Drilling Company  
 Myco Industries, Inc.  
 S. P. Yates  
 Estate of Martin Yates, III  
 Estate of Lillie M. Yates  
 105 South Fourth Street  
 Artesia, NM 88210

Nearburg Exploration Company  
 3300 North A Street  
 Suite 8100  
 Midland, TX 79705

Conoco Inc.  
 10 Desta Drive, Suite 100W  
 Midland, TX 79705-4500

Kerr-McGee Corporation  
 123 Robert S. Kerr Avenue  
 Oklahoma City, OK 73102

Anadarko Petroleum Corp.  
 P. O. Box 1330  
 Houston, TX 77251-1330



Warren D. Richardson  
Staff Landman  
Midland Division  
Exploration Production  
North America

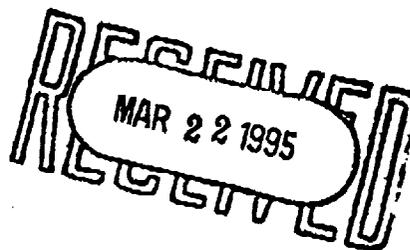
Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705-4500  
BUS. (915) 686-5576  
FAX (915) 686-5596

March 20, 1995

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Attn: Ms. Janet Richardson  
Landman

Re: Revised Working Interest  
Joint Operating Agreement dated August 23, 1994  
NE $\frac{1}{4}$  Section 21, T-19-S, R-25-E  
Eddy County, New Mexico  
C-48407, L-212834



Dear Janet:

In reviewing our title for participating in the drilling of the proposed Rodke AOY Com No. 1 and Ross EG Fed. Com. No. 14 wells, we discovered that Conoco's working interest in the Exhibit "A" to the captioned JOA was incorrect. Conoco's interest should be changed to reflect a 3.125% working interest to a depth of 7,800' and a 6.25% working interest below a depth of 7,800'. Anadarko Petroleum Corporation now owns the remaining 3.125% working interest to a depth of 7,800'. Their interest was derived in an assignment from Conoco to Anadarko Production Company dated August 17, 1982 (see attached copy). This situation is reflected in the Drilling and D/O Opinion on the Alto "AOL" Com No. 1 well dated November 9, 1994.

Please revise the Exhibit "A" according to the information cited above and furnish a copy for my files. I apologize for any inconvenience this may have caused.

Sincerely,

  
Warren D. Richardson

Attachment

## ASSIGNMENT OF OPERATING RIGHTS

STATE OF New Mexico X  
 County OF Eddy X

Conoco Inc., a Delaware corporation, hereinafter referred to as "Assignor," for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, without warranty of title, express or implied, and subject to the reservations, conditions and covenants provided for herein, does hereby GRANT, BARGAIN, SELL, TRANSFER, ASSIGN and CONVEY unto

Anadarko Production Company

whose address is P. O. Box 2497, Midland, Texas 79702

hereinafter referred to as "Assignee", 50% to operate on of Assignor's right ~~in and to the~~ leases, hereafter referred to as "said leases" described in Exhibit "A" attached hereto and made a part hereof, INsofar as said leases cover the lands described in said Exhibit "A", together with all rights and privileges thereunder or appurtenant thereto, INsofar as said leases cover oil, gas and other liquid and gaseous hydrocarbons, and INsofar as said leases and lands cover from the surface of the earth down to 7,800 feet. The rights to operate on said leases assigned is hereafter referred to as "said assigned interest."

~~XXXXXX~~

I. Assignor excepts from this Assignment and reserves to itself all rights, title, interest and estate not expressly assigned hereby, the rights of ingress and egress and such other rights and easements under and by virtue of said leases, including the concurrent use of water, as may be necessary or desirable to explore, develop and operate the interest of Assignor in said leases.

II. This Assignment is made and accepted subject to, and Assignee hereby assumes, any and all overriding royalties, payments out of production, and other burdens or encumbrances to which said leases may be subject, INsofar as such overriding royalties, payments out of production and other burdens and encumbrances cover and affect said assigned interest.

III. Assignor and Assignee have, simultaneously with the execution of this Assignment, executed and entered into an Operating Agreement providing for the operation of the lands described on Exhibit "A", insofar as the said lands are applicable to the interests and intervals assigned hereunder. The Operating Agreement shall be effective as of the date of this Assignment.

IV. This Assignment and all rights, reservations and covenants in connection herewith shall be considered covenants running with the lands and shall inure to and be binding upon the parties hereto, their heirs, personal representatives, successors and assigns; PROVIDED, HOWEVER, no transfer or encumbrance of any of said assigned interest shall be made unless the same be made expressly subject to this Assignment and unless the vendee, assignee, or transferee shall assume all of the obligations of this Assignment; PROVIDED, FURTHER, no transfer of any of said assigned interest shall be valid or have any force or effect unless Assignor is furnished with a certified copy of the recorded instrument or order of a competent court evidencing the transfer of ownership.

V. The addresses for the giving of all notices required hereunder, until changed by written notice to the same addresses, shall be as follows:

ASSIGNOR: Conoco Inc.  
 P. O. Box 1959  
 Midland, Texas 79702  
 ASSIGNEE: Anadarko Production Company  
 P. O. Box 2497  
 Midland, Texas 79702

VI. ~~If Assignee elects to sell oil or other liquid hydrocarbons, hereafter called "oil", produced hereunder, Assignor reserves the preferential right to purchase same and payment therefor shall be the posted or quoted price in effect in the field on the delivery date for such hydrocarbons of like kind and quality produced hereunder. If Assignee elects to sell and/or cause others to process natural and casinghead gas, or other gaseous hydrocarbons, hereafter called "gas", produced hereunder, Assignor reserves the preferential right to purchase and/or process same with payment for the gas purchased and/or products recovered on the basis of an agreement between the parties containing terms generally acceptable in the area. If Assignee shall receive from a responsible third party a bona fide offer to purchase oil or to purchase and/or process gas acceptable to Assignee, prior to Assignor exercising its preferential right, Assignee shall furnish notice of same to Assignor, who shall have fifteen (15) days from receipt thereof to either waive its right or elect to purchase and/or process, as applicable, on terms substantially equivalent to those offered to Assignee, provided that if the price of the gas is limited by any governmental authority, the price to be met by Assignor shall be considered as being a price equal to the maximum lawful price established by that governmental authority for such category of gas. Failure to timely reply to such notice shall be construed as a waiver. Once waived, the preferential right provided for herein shall not be enforceable for the term of the Assignee-third party contract if Assignee accepts said third party offer. As to oil sold by Assignee on a day-to-day basis, Assignor shall have the continuing right at any time to exercise its option to purchase such oil. For the purposes of this agreement, any exchange or other disposition made by Assignee shall be considered a sale and subject to the rights of Assignor.~~

VII. By this Assignment Assignor has conveyed only an interest in oil, gas and other liquid and gaseous hydrocarbons, if hydrogen sulphide and/or other non-hydrocarbons, hereafter called "non-hydrocarbons", are produced with the hydrocarbons assigned hereunder. Assignor reserves to itself such non-hydrocarbons and the right to extract and recover such non-hydrocarbons at any time, provided, Assignor shall bear all costs of extraction, and shall pay all royalties which may be due thereon; the right to determine the separation, extraction or recovery process, hereafter called "process", to be used, and the type, design and location of process facilities, including the right to conduct process operations at a mutually agreeable point on or off the lease on any pipe line transporting gas from the lands and leases subject hereto; the rights of ingress, egress and other easements necessary to the extraction, recovery, storage, transportation and marketing of reserved non-hydrocarbons; and the right to sufficient fuel gas for use in Assignor's process operations, providing, Assignor shall pay therefor the average price per MCF received by Assignee from the sale of gas from the assigned leases, or if no sale, the market value at the well for gas of like kind and quality.

If Assignee determines that processing of gaseous hydrocarbon production for the removal of non-hydrocarbons is necessary in order to market such production, Assignee shall furnish written notice thereof to Assignor, and Assignor shall have thirty (30) days after receipt of said notice to exercise its rights hereunder. A negative reply or a failure by Assignor to timely reply shall be construed as a waiver, and Assignor shall have no further rights in the non-hydrocarbons complained of. ~~If Assignee commences actual construction of process facilities for said production within a reasonable time thereafter, TO HAVE AND TO HOLD said assigned interest unto Assignee, Assignee's heirs, personal representatives, successors and assigns, subject to all of the express and implied covenants and obligations of said leases and this assignment.~~

EXECUTED this 1st day of February 1984, effective as of the 17th day of August 1982

Conoco Inc.

By

David E. Schieck

Attorney in Fact

David E. Schieck

ADD APPROPRIATE ACKNOWLEDGEMENT



STATE OF TEXAS  
COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, a Notary Public, in and for said County and State, on this day personally appeared David E. Schieck known to me to be the person whose name is subscribed to the foregoing instrument as Attorney in Fact for CONOCO INC., a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 21<sup>st</sup> day of February, 1984.

SUSAN THRASHER  
Notary Public, State of Texas  
My Commission Expires July 1, 1986

Susan Thrasher  
Notary Public in and for Midland  
County, Texas

My Commission Expires:  
\_\_\_\_\_

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 10 day of February, A. D. 19 84 at 10:43 o'clock A. M., and duly recorded in Book 232, Page 459 of the Records of Miscellaneous of said County.

VIRGIE COLE, County Clerk

By Jamell Thomas Deputy

3-17-95

Mecca,

Warren Richardson - Conoco

thinks Conoco's interest is only

1/2 of 6.25% in NE 1/4 of 21 because  
sur to 1800'

of P/O to Anadarko - I told him I

thought you already had that covered &

tried to let him talk to you but he said

he's sending a letter.

Sincerely,

Janet

5/16/95

Warren Richardson  
 6.25%  
 USA  
 Conoco interest 1700'  
 P/O to Anadarko  
 think Richardson 3.125%  
 to 1800'  
 Anadarko 3.125%  
 less 6.25%

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1930 - 1988



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

March 15, 1995

Conoco Inc.  
10 Desta Drive West  
Midland, Texas 79705

Attention: Mr. Warren Richardson

Re: Ross EG Fed. Com. #14  
Township 19 South, Range 25 East  
Section 21: NE/4  
Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of revised Page 4 and Exhibit "A" to the Operating Agreement for the captioned well. Please substitute these pages accordingly.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

*Mecca Mauritsen*

Mecca Mauritsen  
Landman

MM:dke  
enclosure(s)

FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI. DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of May, 1995, Operator shall commence the drilling of a well for oil and gas at the following location:

660' FNL and 1980' FEL  
Section 21, T-19S-R25E  
Eddy County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to test the Canyon formation at approximately 8300'.

unless granite or other, practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

August 7, 1995

**HAND DELIVERED**

**RECEIVED**

AUG 7 1995

Mr. David R. Catanach  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Oil Conservation Division

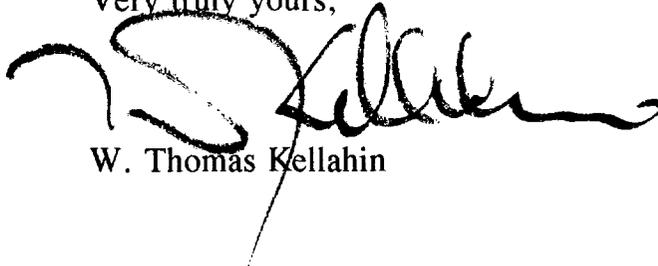
*Re: NMOCD Case 11265: Alto "21" Well No. 1  
Nearburg Production Company  
Application for Compulsory Pooling,  
Eddy County, New Mexico*

*NMOCD Case 11263: Ross "EG" Federal Com Well No. 14  
Yates Petroleum Corporation  
Application for Compulsory Pooling,  
Eddy County, New Mexico*

Dear Mr. Catanach:

On behalf of Nearburg Exploration Company, please find enclosed our proposed order for entry in the referenced matter heard by you on July 27, 1995.

Very truly yours,



W. Thomas Kellahin

cc: Ernest Carroll, Esq.  
Attorney for Yates Petroleum Corporation

cc: Nearburg Exploration Company  
Attn: Bob Shelton

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO 11265**

**APPLICATION OF NEARBURG EXPLORATION COMPANY  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

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**CASE NO. 11263**

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

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**ORDER NO. R-\_\_\_\_\_**

**NEARBURG'S PROPOSED  
ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on July 27, 1995 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this \_\_\_\_ day of August, 1995, The Division Director, having considered the testimony, the recorded and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

**Case Nos. 11263 & 11265**

**Order No. R-**

**Page 2**

(2) Division Case Nos. 11263 and 11265 were consolidated at the time of the hearing for the purpose of testimony, and, inasmuch as approval of one application would necessarily require denial of the other, one order should be entered for both cases.

(3) The applicant in Case 11265, Nearburg Exploration Company ("Nearburg"), seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 21, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to the proposed Alto "21" Well No. 2 to be drilled at a standard oil well location within the NE/4NE/4 (Unit A) of Section 21.

(4) The applicant in Case No. 11265, Yates Petroleum Corporation (Yates), seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 21, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to the proposed Ross "EG" Federal Com Well No. 14 to be drilled at a standard oil well location within the NW/4NE/4 (Unit B) of Section 21.

(5) Both Yates and Nearburg have the right to drill a well in NE/4 of Section 21, both seek to be designated the operator of the proposed proration unit, and both seek the adoption of drilling and production overhead charges and risk penalties.

(6) Yates and Nearburg have been unable to reach a voluntary agreement as to whom should drill and operate a well within the NE/4 of Section 21.

(7) The proposed wells are located within one mile of the outer boundaries of the North Dagger Draw-Upper Pennsylvanian Pool and are therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-4691, as amended, which require standard 160-acre spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the spacing unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(8) Both parties agreed at the hearing that overhead rates of \$5400.00 while drilling and \$540.00 while producing should be adopted in this case. In addition, both parties proposed that a risk penalty of 200 percent be assessed against non-consenting interest owners.

(9) The ownership within the NE/4 of Section 21 as to the relevant potential producing depth is outlined as follows:

(a) Nearburg Exploration Company 46.093750 %

(b) Conoco Inc. 6.25 %

(c) Yates Petroleum: 47.656250 %

Yates Petroleum Corporation	40.572911 %
Yates Drilling Company	2.187500 %
Abo Petroleum Corporation	2.187500 %
Myco Industries Inc.	2.187500 %
S. P. Yates	0.260419 %
Sharbro Oil	0.130210 %
Estate of Lillie M. Yates	0.130210 %

(10) The issues in this dispute in this case include the following:

a) Well location: Nearburg has proposed drilling its Alto "21" Well No. 2 at a standard oil well location 660 feet from the North line and 660 feet from the East line (Unit A) of Section 13, while Yates has proposed drilling its Ross "EG" Federal Com Well No. 14 at a standard oil well location 660 feet from the North and East lines (Unit B) of Section 21.

b) Drilling Costs: Yates and Nearburg submitted AFE's which reflect when the Yates' AFE is increased to include the appropriate surface equipment and the contingencies are deleted from both AFEs, the completed well costs for proposed Alto "21" Well No. 2 and the Ross "EG" Federal Com Well No. 14 are as follows:

<u>WELL NAME</u>	<u>COMPLETED WELL COST</u>
Alto "21" No.2	\$684,130.00
Ross "EG" No.14	\$681,200.00

c) Percentage of commitment: Nearburg contends that there is no significant difference in percentage of commitment and that Conoco's 6.25% is not committed to either Nearburg or Yates. Yates contends that it has the majority percentage and Conoco is committed to Yates.

(11) Time is of the essence in this matter because unless a well is commenced prior to September 14, 1995, Nearburg will lose the 4.6875% interest committed to it by Kerr-McGee Corporation.

(12) Yates initially proposed the drilling of the Ross "EG" Well No. 14 to Nearburg on or about February 27, 1995. Nearburg proposed the drilling of the Alto "21" Well No. 2 to Yates on or about March 13, 1995.

(13) On March 24, 1995, Nearburg filed a compulsory pooling application for the subject acreage with the Division. On March 30, 1995, Yates filed a similar compulsory pooling application.

(14) It appears that Nearburg and Yates have attempted without success to negotiate a settlement of this particular dispute.

(15) Nearburg argues for a well located in Unit A and Yates argues for a well located in Unit B of this section, each contending that the issue controlling location is to attempt to avoid the adverse consequences of the disposal:

(a) of some 6.5 million barrels of produced salt water by Yates into the upper and lower Cisco/Canyon members of the Pool in its Osage SWD Well located in Unit G of Section 21; and/or

(b) of some 1.5 million barrels of produced salt water by Anadarko Petroleum Corporation into the lower Cisco/Canyon formation of the pool in its Osage SWD Well located in Unit E of Section 22, both in T19S, R25E, NMPM.

(16) Nearburg contends that its location is better because:

(a) the top of the Dolomite in this pool will be some 30 feet higher at its location than at the Yates' location;

(b) which will place the Nearburg well at a more favorable location in the reservoir in relation to the Yates Osage SWD than that proposed by Yates;

(c) the Nearburg location will be father away from the Yates' Osage SWD well in which Yates disposed of some 6.5 million barrels of water; and

(d) the Nearburg location has an estimated 90 feet more gross dolomite than the Yates' location which means more potentially productive reservoir may be encountered if the Nearburg location is approved.

(17) In support of its contentions, Nearburg presented geologic evidence to demonstrate that:

(a) a structural cross section utilizing the Yates' Amole "AMM" State Com Well No. 1 in Unit M of Section 16 and the Yates' Amole "AMM" State Com Well No. 2 in Unit N of Section 16 shows two nonproductive limestone intervals

totalling some 90 feet which correlate with and extent into the Yates' location but are absent at the Nearburg location;

(b) the top of the dolomite is a readily identifiable geologic marker and represents the upper limit of potential production in the Cisco/Canyon formation of the pool which is located in the log of the Yates' Amole Com Well No. 1 at -4163 feet (subsea) and at the Yates Osage SWD well at -4148 feet (subsea);

(c) when the correct top of dolomite is accurately identified and contoured on a structure map, then the Nearburg is higher than both the Yates' location and the Yates' SWD well, the Anadarako Osage SWD well and therefore the Nearburg location is better because it is located father away from potential salt water encroachment by these SWD wells;

(d) Nearburg's geologic evidence and testimony indicates that a well drilled at Yates' proposed location should encounter less Canyon dolomite reservoir and should be closer to poorer production than the proposed Nearburg location;

(e) the volume of salt water disposal into the Anadarko's Osage SWD Well was only 1.5 millions barrels of water and was injected into the reservoir through four sets of perforations from 7806 feet to 7998 feet while the Yates injected some 6.5 million barrels of salt water into the reservoir through three sets of perforations from 7672 feet to 7704 feet in its Osage SWD Well.

(18) Yates contends that its location is better because:

(a) its proposed location is better than Nearburg's location because the top of the Dolomite in this pool will be some 12 feet higher at Yates' location than at Nearburg's location:

(b) and more importantly, while located closer to Yates' Osage SWD well, Yates' location will be farther away from Anadarko's Osage SWD well.

(19) In support of its contentions, Yates presented geologic and engineering evidence to demonstrate that:

(a) a stratigraphic cross section which omits the Yates' Amole Com Well No. 1 in Unit M of Section 16 and the Yates' Amole Com Well No. 2 in Unit N of Section 16 but includes the Yates Hooper "AMP" Well No. 2 in Unit E of Section 21 shows a gross dolomite interval to be correlative to both the Yates and the Nearburg proposed locations and of approximately the same gross thickness at both locations;

(b) the top of the dolomite is a readily identifiable geologic marker and represents the upper limit of potential production in the Cisco/Canyon formation of the pool which is located in the log of Yates' Osage SWD Well at a depth of 7836 feet;

(c) a structure map based upon the assumption that the top of dolomite in the Yates Amole Com Well No. 2 is located at -4149 feet (subsea) will place Yates' location slightly higher in the reservoir than Yates' Osage SWD Well.

(20) The Division finds that:

(a) Yates has mistakenly interpreted the log of the Yates Amole Com Well No. 2 and thereby incorrectly picked a dolomite top in the Amole Com Well No. 1 that is approximately 30 feet too low which results in locating the Yates proposed well location higher in the reservoir than warranted;

(b) when the correct top of dolomite is accurately identified and contoured on a structure map, then Nearburg's location is higher than Yates' location, Yates' Osage SWD Well, and Anadarako's Osage SWD Well;

(c) Yates' omitted presenting a structural cross section and thereby failed to present important geologic information;

(d) Yates' geologic evidence indicates that both well locations should have similar dolomite thickness; and

(e) Yates' failed to identify the significant amount of nonproductive limestone present in the Yates' Amole State Com Well No. 2 and thereby over estimated the amount of gross dolomite present at its proposed location.

(21) The Division further finds that:

(a) there is no significant nor material difference between the AFE's submitted by both Nearburg and Yates;

(d) there is no significant difference in the date on which each party first proposed its well;

(c) that this case cannot be decided based upon these issues.

(22) The Division further finds that: (a) the Conoco interest is not committed to either Yates or Nearburg; (b) that there is no significant nor material difference in the percentage which each party controls; and (c) that this case cannot be decided based upon these issues.

(23) Estimated drilling costs and the parties willingness to negotiate a voluntary settlement should not be critical factors in determining the outcome of this case.

(24) Nearburg testified and Yates concurred that previous disputes over operatorship of spacing units in the North Dagger Draw-Upper Pennsylvanian Pool have been voluntarily resolved utilizing as criteria majority interest ownership and location of operations and surface facilities relative to the spacing unit.

(25) Based upon interest ownership, geologic interpretation and location of operations and surface facilities, Nearburg should be designated the operator of the Alto "21" Well No. 2 and spacing unit.

(26) That time is of the essence in this case because of the potential that Nearburg may lose the interest currently committed to it by Kerr-McGee Corporation if this well is not commenced prior to September 14, 1995 and therefore all elections and commencement dates should be accelerated.

(27) The application of Yates Petroleum Corporation should be denied.

(28) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the application of Nearburg Exploration Company should be approved by pooling all mineral interests, whatever they may be, within said unit.

(29) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(30) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(31) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(32) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(33) \$5400.00 per month while drilling and \$540.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operation the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(34) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(35) Upon the failure of Nearburg to commence the drilling of the Alto "21" Well No. 2 on or before September 15, 1995, the order pooling said unit should become null and void and of no effect whatsoever.

(36) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(37) The operator of the well and unit shall notify the Director of the Division on writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of the order.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Nearburg Exploration Company in Case No. 11265 for an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 21, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formation and/or pools developed on 160-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated North Dagger Draw-Upper Pennsylvanian Pool is hereby approved. Said unit shall be dedicated to the Alto "21" Well No. 2 to be drilled at a standard oil well location 660 feet from the North line and 660 feet from the East line (Unit A) of Section 21.

(2) The application of Yates Petroleum Corporation in Case No. 11263 for an order pooling all mineral interests from the surface to the base of Canyon formation underlying the NE/4 of Section 21, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated North Dagger Draw-Upper Pennsylvanian Pool is hereby denied.

**PROVIDED HOWEVER THAT**, the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1995, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Cisco/Canyon formation.

**PROVIDED FURTHER THAT**, in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1995, Ordering Paragraph No(1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division Director for good cause shown.

**PROVIDED FURTHER THAT**, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering paragraph No. (1) of this order should not be rescinded.

(2) Nearburg Producing Company is hereby designated the operator of the subject well and unit.

(3) after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within ~~ten~~ (10) days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operation costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within ~~ten~~ (10) days from the date the schedule of estimated well costs is furnished.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5400.00 per month while drilling and \$540.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operation such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership, the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE, at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY,  
Director

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

July 5, 1995

**VIA FACSIMILE**

(505) 827-8177

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*Re: NMOCD Case 11265: Alto "21" Well No. 1  
Nearburg Production Company  
Application for Compulsory Pooling,  
Eddy County, New Mexico*

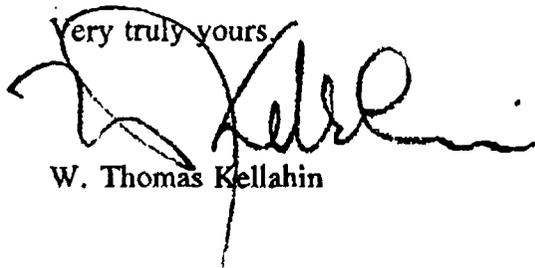
*NMOCD Case 11263: Ross "EG" Federal Com Well No. 14  
Yates Petroleum Corporation  
Application for Compulsory Pooling,  
Eddy County, New Mexico*



Dear Mr. Stogner:

On behalf of Nearburg Exploration Company, we have no objection to the Division granting Yates Petroleum Corporation's request to continue the referenced cases from the July 13, 1995 docket to the July 27, 1995 docket.

Very truly yours,



W. Thomas Kellahin

via facsimile:

cc: Ernest Carroll, Esq.

Attorney for Yates Petroleum Corporation

cc: Nearburg Exploration Company

Attn: Bob Shelton

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

MARY LYNN BOGLE  
ERNEST L. CARROLL  
JOEL M. CARSON  
DEAN P. CROSS  
JAMES E. HAAS  
A. J. LOSEE  
BARRY D. GEWEKE

300 YATES PETROLEUM BUILDING  
P. O. BOX 1720  
ARTESIA, NEW MEXICO 80211-1720

TELEPHONE  
(505) 746-3505  
TELECOPY  
(505) 746-8316

June 28, 1995

VIA FACSIMILE TRANSMISSION AND FIRST CLASS MAIL

Mr. William J. LeMay  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
P. O. Box 6429  
Santa Fe, NM 87505-5472

Re: Application of Nearburg Exploration Company  
for Compulsory Pooling, Case No. 11265

Application of Yates Petroleum Corporation for  
Compulsory Pooling, Case No. 11263

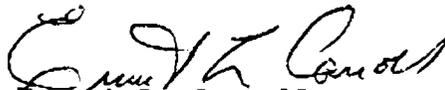
Dear Mr. LeMay:

I am enclosing for filing a Motion for Continuance, in duplicate,  
concerning the above-captioned cases set for July 13, 1995.

Please return the copy to me, endorsed, for my file.

Respectfully yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.

  
Ernest L. Carroll

ELC:kth  
Encl.

xc: W. Thomas Kellahin, Esq. (w/encl)

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION OF  
NEARBURG EXPLORATION COMPANY FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO

CASE NO. 11265

IN THE MATTER OF THE APPLICATION OF  
YATES PETROLEUM CORPORATION FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO

CASE NO. 11263

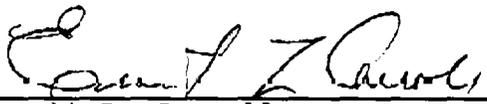
**MOTION FOR CONTINUANCE**

COMES NOW Yates Petroleum Corporation and moves the Division for an order continuing the hearing of the above-referenced cases, now set for July 13, 1995, to the next available docket, and as its reason therefore states that counsel for Yates, Ernest L. Carroll, is under subpoena, a copy of which is attached hereto, to testify before the United States District Court for the District of New Mexico, in Cause No. CIV 92-381 LH/LCS, Jorge M. Herrera v. Steven Kaiser, in Las Cruces, New Mexico on July 13, 1995, at 10:00 a.m. Mr. Kellahin is out of town and cannot be consulted for concurrence.

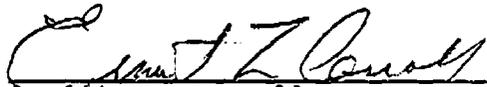
WHEREFORE, Yates prays for an order moving the hearing of the above-captioned cases from the July 13, 1995, docket to the next available docket.

Respectfully submitted,

LOSEE, CARSON, HAAS & CARROLL, P.A.

By:   
Ernest L. Carroll  
P. O. Box 1720  
Artesia, NM 88211-1720  
(505)746-3505  
Attorneys for Yates Petroleum Corp.

I hereby certify that I caused a true and correct copy of the foregoing motion to be mailed to W. Thomas Kellahin, counsel for Nearburg, this June 28, 1995.

  
Ernest L. Carroll

AO 88 (Rev. 11/91) Subpoena in a Civil Case

# United States District Court

FOR THE DISTRICT OF NEW MEXICO

JORGE M. HERRERA  
Petitioner

V.

STEPHEN KAISER  
Respondent

## SUBPOENA IN A CIVIL CASE

CASE NUMBER: 92-381 LH/LCS

TO: Ernest L. Carroll  
Attorney at Law  
105 S. 4th Street  
Artesia, NM 88211 (505) 746-3505

YOU ARE COMMANDED to appear in the United States District Court at the place, date, and time specified below to testify in the above case.

PLACE OF TESTIMONY Harold Runnels Federal Building 200 East Griggs Second Floor Las Cruces, NM 88001	COURTROOM Honorable Leslie C. Smith
	DATE AND TIME July 13, 1995 at 10:00 A.M.

YOU ARE COMMANDED to appear at the place, date, and time specified below to testify at the taking of a deposition in the above case.

PLACE OF DEPOSITION	DATE AND TIME

YOU ARE COMMANDED to produce and permit inspection and copying of the following documents or objects at the place, date, and time specified below (list documents or objects):

PLACE	DATE AND TIME

YOU ARE COMMANDED to permit inspection of the following premises at the date and time specified below.

PREMISES	DATE AND TIME

Any organization not a party to this suit that is subpoenaed for the taking of a deposition shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf, and may set forth, for each person designated, the matters on which the person will testify. Federal Rules of Civil Procedure, 30(b)(6).

ISSUING OFFICER SIGNATURE AND TITLE (INDICATE IF ATTORNEY FOR PLAINTIFF OR DEFENDANT) DATE  
*Margaret McLean* Margaret McLean, Asst. A.G., Attorney for Respondent

ISSUING OFFICER'S NAME, ADDRESS AND PHONE NUMBER  
Margaret McLean, Assistant Attorney General  
P.O. Drawer 1508, Santa Fe, New Mexico 87504 (505) 827-6930

(See Rule 45, Federal Rules of Civil Procedure, Parts C & D on Reverse)

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

MARY LYNN BOGLE  
ERNEST L. CARROLL  
JOEL M. CARSON  
DEAN B. CROSS  
JAMES E. HAAS  
A. J. LOSEE  
BARRY D. GEWEKE

300 YATES PETROLEUM BUILDING  
P. O. BOX 1720  
ARTESIA, NEW MEXICO 88211-1720

TELEPHONE  
(505) 746-3505  
TELECOPY  
(505) 746-6316

FAX TRANSMITTAL DATE:

6/28/95

PLEASE DELIVER THE FOLLOWING PAGE(S) TO:

NAME: William J. Kelly

FIRM: MMOLD

FAX NO. (505) 827-8177 FIRM NO. \_\_\_\_\_

SENDER: Ernest Carroll

TOTAL NUMBER OF PAGES (INCLUDING THIS SHEET): 5

\*\*\*\*\*

IF YOU DO NOT RECEIVE ALL THE PAGES INDICATED ABOVE,  
PLEASE CALL US BACK AS SOON AS POSSIBLE AT:

(505) 746-3505 ASK FOR: Kandy

\*\*\*\*\*

MESSAGE:

\*\*\*\*\*

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LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

300 YATES PETROLEUM BUILDING

P. O. BOX 1720

ARTESIA, NEW MEXICO 88211-1720

MARY LYNN BOGLE  
ERNEST L. CARROLL  
JOEL M. CARSON  
DEAN B. CROSS  
JAMES E. HAAS  
A. J. LOSEE  
BARRY D. GEWEKE

PH. CONSERVATION  
REC'D  
55 MAY 24 AM 8 52

TELEPHONE  
(505) 746-3505  
TELECOPY  
(505) 746-6316

May 24, 1995

**VIA FACSIMILE AND FIRST CLASS MAIL**

Mr. William J. LeMay, Director  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
P. O. Box 6429  
Santa Fe, New Mexico 87505-5472

Re: Application of Yates Petroleum Corporation  
for Compulsory Pooling, Eddy County, New  
Mexico/Case No. 11263 - Ross "EG" Fed Com  
Well No. 14

Application of Yates Petroleum Corporation  
for Compulsory Pooling, Eddy County, New  
Mexico/Case No. 11264 - Fairchild No. 2 Well

Dear Mr. LeMay:

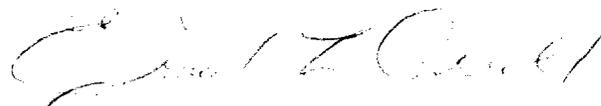
Please be advised that Yates Petroleum requests that the June 1, 1995 hearing date of Case 11263, in conjunction with Nearburg's Case No. 11265, be continued to the July 13, 1995, docket.

In connection with Case No. 11264, scheduled for the June 1, 1995, docket, please continue said matter to July 13, 1995, as well.

Thank you very much.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth

xc Ms. Mecca Mauritsen  
Mr. W. T. Kellahin

## KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4286

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

FACSIMILE COVER SHEETTO: Michael StognerFROM: W. THOMAS KELLAHIN, Esq.OF: OIL CONSERVATION DIVISION  
Santa Fe

FAX #: 505 827 8177

DATE: 05/ 16/ 1995

TIME: 9:15 AM

PAGES: 2 with cover sheet

REF: NMOCD Case 11265: Alto "21" Well No 1  
Nearburg Production Company  
NMOCD Case 11263: Ross "EG" Federal Com Well No 14  
Yates Petroleum Corporation

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**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PASO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 16, 1995

**VIA FACSIMILE**

(505) 827-8177

Mr. Michael E. Stogner  
Chief Hearing Examiner  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*Re: NMOCD Case 11265: Alto "21" Well No. 1  
Nearburg Production Company  
Application for Compulsory Pooling,  
Eddy County, New Mexico*

*NMOCD Case 11263: Ross "EG" Federal Com Well No. 14  
Yates Petroleum Corporation  
Application for Compulsory Pooling,  
Eddy County, New Mexico*

Dear Mr. Stogner:

In accordance with your letter dated April 18, 1995, Mr. Carroll and I are reporting the status of the referenced cases. We are both concerned about the two salt water disposal wells and we each are searching for data about those wells. At this point the data is incomplete and we are continuing to search public and private files.

We have agreed to discuss this between us on Monday May 22, 1995, and I will advise where we are at that point.

Very truly yours,



W. Thomas Kellahin

via facsimile:

cc: Ernest Carroll, Esq.

Attorney for Yates Petroleum Corporation

cc: Nearburg Exploration Company

Attn: Bob Shelton



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 S. PACHECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-7131

April 18, 1995

*Losee, Carson, Haas & Carroll*  
Attn: Ernest L. Carroll  
P. O. Box 239  
Artesia, New Mexico 88211-0239

*Kellahin and Kellahin*  
Attn: W. Thomas Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504

Re: Case Nos. 11,263 and 11,265, Applications of Yates Petroleum Corporation and Nearburg Exploration Company, respectively, for Compulsory Pooling Eddy County, New Mexico.

Dear Messrs. Carroll and Kellahin:

Reference is made to our conference call this morning, Tuesday, April 18, 1995, where we discussed Mr. Kellahin's letter dated April 14, 1995 requesting the continuance of both of the above-referenced cases to the June 1, 1995 hearing. Based upon my initial review of Nearburg's concern about the two existing salt water disposal wells in the North Dagger Draw-Upper Pennsylvanian Pool in Sections 21 and 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico (approved by Division Order Nos. SWD-336 and R-7637) and the potential issues they may create in this matter, postponement until June first is in order.

In addition, the parties are directed to voluntarily exchange data and if there is a dispute over the requested data, produced or to be exchanged then either party may return to the Division for decision on that topic.

The parties are directed to report to the Division on the status of their discussions on or before May 15, 1995. Hopefully both parties can utilize this time to work out a reasonable solution.

Nearburg's request for continuance of both Case Nos. 11,263 and 11,265 until June 1, 1995 is hereby approved.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

MES/kv

cc: Oil Conservation Division - Artesia  
William J. LeMay, Director - OCD, Santa Fe  
Rand Carroll, Counsel - OCD, Santa Fe

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

April 14, 1995

VIA FACSIMILE

(505) 746-6316

Ernest L. Carroll, Esq.  
Losee, Carson, Haas & Carroll  
P. O. Box 239  
Artesia, New Mexico 88211-0239

Re: **REQUEST FOR CONTINUANCE AND  
REQUEST FOR PRODUCTION OF DATA**  
NMOCD Case 11265: Alto "21" Well No. 1  
Application of Nearburg Production Company  
for compulsory pooling, Eddy County, New Mexico

NMOCD Case 11263: Ross "EG" Federal Com Well No. 14  
Application of Yates Petroleum Corporation for  
compulsory pooling, Eddy County, New Mexico

Dear Mr. Carroll:

On behalf of Nearburg Exploration Company I wish to propose to you a procedure for processing the two referenced compulsory pooling cases which currently are scheduled for hearing on the April 20, 1995 docket.

**DOCKET MANAGEMENT**

Apart for this referenced dispute, currently there are four disputed compulsory pooling cases between Amoco (Carr) and Richardson (Kellahin) which were continued from the April 6, 1995 docket and in all probability will be heard ahead of any disputed cases on the April 20, 1995 docket.

Ernest L. Carroll, Esq.  
April 14, 1995  
Page 2

In addition to the dispute in the referenced cases, the April 20th docket has the Nearburg and Yates compulsory dispute over the Fairchild "24" Well No. 2 (Cases 11264 and 11232).

I anticipate that the Division will not be able to hear the referenced dispute over the Alto-Ross pooling matters on Thursday or Friday of next week.

### **REQUEST FOR CONTINUANCE**

I request your concurrence to continue the referenced cases until the June 1, 1995 Examiner's docket in order to afford an opportunity for Yates to produce and for Nearburg to review the following requested data.

### **REQUEST FOR DATA**

In preparing for hearing the Alto-Ross dispute, I am of the opinion that I need certain data from your client, Yates Petroleum Corporation, in order to properly prepare for the hearing of the referenced case.

Any Cisco-Canyon development to take place in the NE/4 of Section 21, whether by Yates or by Nearburg, and the corresponding compulsory pooling cases including the location of those wells, will be affected by the potential displacement of recoverable hydrocarbons from the injection of produced water into the Cisco/Canyon formations by Yates Petroleum Corporation in its Osage Well No. 1 (Salt Water Disposal Well) located 1980 feet from the north and east lines of Section 21.

Accordingly, on behalf of Nearburg Exploration Company, we request that Yates Petroleum Corporation provide to Nearburg Exploration Company at its offices in Midland, Texas, not later than noon on April 20, 1995 the following information for the Yates Petroleum Corporation's Osage Well No. 1(SWD) located 1980 feet from the north and east lines of

Ernest L. Carroll, Esq.  
April 14, 1995  
Page 3

Section 21, T19S-R25E, NMPM, Eddy County, New Mexico and for each Yates Petroleum Corporation well drilled to or through the Cisco/Canyon formation within one (1) mile of said salt water disposal well:

1. Open-hole Resistivity logs, e.g. Dual Latrologs supplying both a one-inch scale log and a five-inch scale log.
2. Open-hole Porosity logs, e.g., Compensated Neutron-Litho-Density logs, supplying both a one-inch scale log and a five-inch scale log.
3. Mudlogs
4. All cased-hole production logs, including but not limited to caliper logs, spinner surveys, tracer surveys.
5. Fluid data including recombination analysis and/or bottom hole analysis.
6. Reservoir temperature data
7. PVT data, PVT reports and gas analysis including but not limited to molecular weight and API gravity.
8. Reservoir pressure data including but not limited to bottom-hole surveys or pressures, surface pressure readings, daily tubing pressure and casing pressures, drill stem tests, build-up tests, and interference tests, with relevant information as to shut-in time and production rates prior to shut-in.
9. Gas-liquid ratios and tests including a description of any and all test data and zones per well.
10. any core data and analysis including but not limited to conventional or sidewall core data and samples.

11. all production data including, but not limited to all well check records, including gauges/charts for each well on a daily basis from initial testing/completion to date showing actual production of oil, gas and water for each well per day and per month.

11-A. for the subject salt water disposal well, all injection fluid data including, but not limited to all well check records, including gauges/charts for each well on a daily basis from initial testing/completion to date showing actual water injection for said well per day and per month.

12. Chronological reports to include details of: (a) perforating and perforation locations, (b) stimulation fluids, volumes, rates, and pressures for each treated interval, and (c) swabbing, flowing and/or pumping results for each interval that was perforated and tested including Pre and Post stimulation results as applicable.

13. If your client has conducted any reservoir simulation which includes either of the subject wells, then provide: model software description, model parameters and assumptions, model variables, model history matching data, model predictions, subsequent modification.

14. Any petroleum engineering data used or to be used by Yates Petroleum Corporation to justify its application and/or its opposition to Nearburg's application including all pressure data, including but not limited to bottom hole pressure surveys, daily tubing pressure and casing pressure surveys, with relevant information as to shut-in time and production rate prior to shut-in;

Ernest L. Carroll, Esq.  
April 14, 1995  
Page 5

15. Any and all reserve calculations, including but not limited to estimates of ultimate recovery, production decline curves, pressure decline curves, material balance calculations (including reservoir parameters), volumetric calculation (including reservoir parameters);

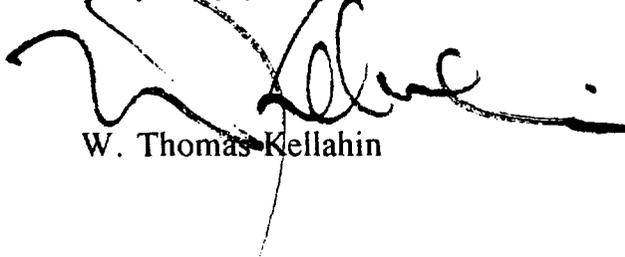
16. Any and all reservoir studies, including but not limited to drainage calculations, well interference studies, pressure studies or well communication studies;

17. Any geologic data including geologic maps, structure maps, isopachs, cross-sections, and/or logs being used by Yates Petroleum Corporation to justify its application and/or its opposition to Nearburg's application;

18. Any and all geologic and/or engineering studies and interpretations by which Yates Petroleum Corporation justifies and evaluates its application and/or its opposition to Nearburg's application.

If you have any objection to the foregoing, please advise me by noon on Monday, April 17, 1995.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

cc: Nearburg Exploration Company  
Attn: Bob Shelton