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December 14, 2004

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13398

Re: Application of Yates Petroleum Corporation for compulsory pooling, Eddy
County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Yates Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the docket for the January 6, 2005 examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Susan Vierra
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

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

2004 DEC 14 PM 11:12

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

CASE NO. 13398

APPLICATION

YATES PETROLEUM CORPORATION, ("Yates") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17(C), for an order pooling all mineral interests from the surface through the base of the Morrow formation in the following described acreage in Section 17, Township 25 South, Range 26 East, NMPM: N/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated Chosa Draw-Morrow Gas Pool, Undesignated Sage Draw Atoka Gas Pool and the Undesignated Sage Draw-Wolfcamp Gas Pool; NE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and NW/4 NE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent, and in support thereof states:

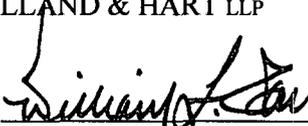
1. Yates is a working interest owner in the N/2 of said Section 17 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing and proration unit to its Guitar "BFL" Com Well No. 1 to be drilled at a standard location 990 feet from the North line and 1980 feet from the East line to a depth sufficient to test all formations from the surface through the base of the Morrow formation.
3. Yates has sought and been unable to obtain a voluntary agreement for the development of these lands from those interest owners identified on Exhibit A to this Application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. In order to permit Yates the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 6, 2005 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing units,
- B. designating Yates Petroleum Corporation operator of this spacing unit and the well to be drilled thereon,
- C. authorizing Yates Petroleum Corporation to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 200% penalty for the risk assumed by Yates Petroleum Corporation in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

Exhibit A

**Application of Yates Petroleum Corporation
for compulsory pooling
Eddy County, New Mexico**

(Guitar BFL Com #1)

Section 17:Unit Letter B
Township 25 South, Range 25 East, NMPM
Eddy County, New Mexico

1. James Kelly Polk
12 August
Abilene, TX 79606
2. Marilyn Guitar Galusha Trust
Marilyn Guitar Galusha, Trustee
P O Box 1438
Abilene, TX 79604
3. Pressley H. Guitar
P O Box 5383
Abilene, TX 79608
4. Brett Guitar Witherspoon
P O Box 100635
Fort Worth, TX 76185
5. Whitten Guitar Witherspoon
4508 Tall Meadow Lane
Forth Worth, TX 76133
6. Wende Witherspoon Morgan
1720 Southwicke
Flower Mount, TX 75022
7. John Guitar Witherspoon, Jr.
Lemonwood Drive
Forth Worth, TX 76133-7012
8. Jeri Alexander Lott
9102 Vicksburg Ave. #17
Lubbock, TX 79424
9. James M. Alexander
P O Box 58
Abilene, TX 79604
10. Martha Jane Rhodes
P O Box 58
Abilene, TX 79604

CASE 13398:

Application of Yates petroleum corporation for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface through the base of the Morrow formation in the following described acreage in Section 17, Township 25 South, Range 26 East, NMPM: N/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Chosa Draw-Morrow Gas Pool, Undesignated Sage Draw-atoka Gas Pool and the Undesignated Sage Draw-Wolfcamp Pool; NE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and NW/4 NE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent. Said units are to be dedicated to its Guitar "BFL" Com Well No. 1 to be drilled 990 feet from the North line and 1980 feet from the East line of said Section 17 to an approximate depth of 12,000 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Yates Petroleum Corporation as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14.5 miles southwest of Carlsbad, New Mexico.



December 16, 2004

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

TO: ALL AFFECTED PARTIES

Re: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described acreage in irregular Section 17, Township 25 South, Range 26 East, NMPM: the N/2 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Chosa Draw-Morrow Gas Pool; the NE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and the NW/4 NE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent. Said units are to be dedicated to Yates Guitar "BFL" Com Well No. 1 to be drilled 990 feet from the North line and 1980 feet from the East line of said Section 17 to a depth sufficient to test all formations from the surface through the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on January 6, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
ATTORNEY FOR YATES PETROLEUM CORPORATION

cc: Susan Vierra
Yates Petroleum Corporation