

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

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

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL OF A
NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 14740

AFFIDAVIT OF CHARLES E. MORAN

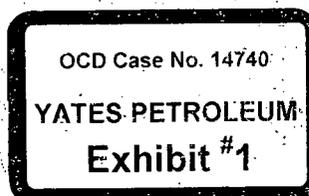
COUNTY OF EDDY)
) ss.
STATE OF NEW MEXICO)

Charles E. Moran, being duly sworn upon his oath, deposes and states:

1. I am the Chief Landman for applicant Yates Petroleum Corporation ("Yates"). I have personal knowledge of the matters stated herein.

2. Pursuant to 19.15.4.12(A)(1)(b) NMAC, I am submitting the following information in support of Yates' application:

(a) All but two of the working interest owners in the project area proposed in Yates' application have committed their interests to the Grateful BOD Fed Com #1H horizontal well by entering into a Joint Operating Agreement ("JOA"). Yates has not been informed that either of the two uncommitted working interest owners opposes its application. No opposition is expected because the uncommitted working interest owners entered into the initial JOA with Yates, which subsequently lapsed and had to be revived, and they simply have not responded to my subsequent proposals that they execute the revised JOA.



(b) A C-102 plat outlining the project area being pooled is attached hereto as Exhibit A. Yates seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2 N/2 of Section 13, Township 18 South, Range 29 East, N.M.P.M. in Eddy County. Yates further seeks the pooling of all uncommitted working interests (i) from the surface to the top of the Bone Spring formation underlying the NE/4 NE/4 of Section 13 to form a standard 40-acre oil spacing and proration unit within that vertical extent, save and except the West Loco Hills Unit Interval underlying the NE/4 of Section 13 at 2,767 to 2,792 feet subsurface, and (ii) in the Bone Spring formation underlying the N/2 N/2 of Section 13 to form a 160-acre non-standard oil spacing and proration unit (project area). The units are to be dedicated to the Grateful BOD Fed Com #1H well, a horizontal well drilled at an orthodox surface location 786 feet from the North line and 545 feet from the East line of Section 13, with a terminus at an orthodox location 660 feet from the North line and 330 feet from the West line of Section 13. The units to be pooled are for oil production with associated gas production.

(c) The following lists the parties being pooled and their correct addresses:

Estate of William P. Dooley
Paula Dooley, Successor Personal Representative
1006 South 2nd
Artesia, NM 88210

Estate of Florence Martha Dooley
Patrick T. Dooley, Personal Representative
1006 South 2nd
Artesia, NM 88210

The Estate of William P. Dooley has a 0.833333% working interest, and the Estate of Florence Martha Dooley has a 2.083333% working interest, in the proposed project area.

(d) Attached hereto as Exhibit B are copies of the proposal letters that I sent by certified mail to the uncommitted working interest owners more than thirty (30) days prior to the filing of Yates' application.

(e) Yates has made a good faith effort to obtain the voluntary joinder in the well of the uncommitted working interest owners.

(f) Pursuant to the Division's rules, Yates requests that a 200% risk charge be assessed against a non-consenting interest owner.

(g) The following lists the offset operators and the interest owners of the acreage surrounding the proposed project area who were entitled to receive notice, and their current addresses:

S/2 S/2 of Section 12, T18S, R29E

Working Interest Owners:

Oxy Y-1 Company
P. O. Box 4294
Houston, TX 77210-4294

EOG Resources, Inc.
P. O. Box 2267
Midland, TX 79705-2267

Jalapeno Corporation
P. O. Box 1608
Albuquerque, NM 87103-1608

Mulberry Partners II LLP
105 S. 4th Street
Artesia, NM 88210

Myco Industries, Inc.
105 S. 4th Street
Artesia, NM 88210

Sharboro Oil Ltd. Co.
105 S. 4th Street
Artesia, NM 88210

Yates Energy Corporation
P. O. Box 2323
Roswell, NM 88202-2323

Trust Q U/W/O Peggy A. Yates
105 S. 4th Street
Artesia, NM 88210

Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88201-1933

John A. Yates
105 S. 4th Street
Artesia, NM 88210

Peyton Yates
105 S. 4th Street
Artesia, NM 88210

Richard Yates
105 S. 4th Street
Artesia, NM 88210

Yates Petroleum Corporation
105 S. 4th Street
Artesia, NM 88210

Brenda Yates
105 S. 4th Street
Artesia, NM 88210

SW/4 SW/4 of Section 7, T18S, R30E

Operator:

EOG Resources, Inc.

W/2 of Section 18, T18S, R30E

Operator:

EOG Resources, Inc.

S/2 N/2 of Section 13, T18S, R29E

Working Interest Owners:

Oxy Y-1 Company

EOG Resources, Inc.

Jalapeno Corporation

Mulberry Partners II Llp

Myco Industries Inc

Sharbro Oil Ltd Co

Yates Energy Corporation

Trust Q U/W/O Peggy A. Yates

Harvey E. Yates Company

John A. Yates

Peyton Yates

Richard Yates

Yates Petroleum Corporation

Brenda Yates

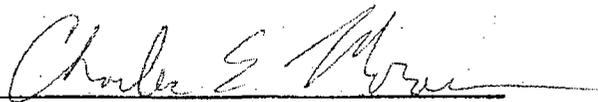
SE/4 SE/4 of Section 11, T18S, R29E

Operator:

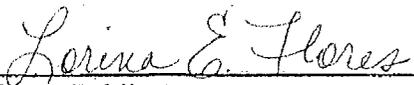
Mewbourne Oil Company
500 W. Texas Ave., Suite 1020
Midland, TX 79701

(h) A copy of Yates' Authorization for Expenditure ("AFE") for the horizontal well is attached hereto as Exhibit C. I sent a copy of the AFE to each of the uncommitted working interest owners along with the proposal letter that is attached hereto as Exhibit B. The dry hole cost of the well is \$1,889,000, and the completed well cost is \$4,295,000. The drilling and completion costs set forth in the AFE are fair and reasonable, and are comparable to the costs of other horizontal wells of this depth drilled in this area of Eddy County.

(i) Yates requests overhead charges of \$5,400.00/month for a drilling well, and \$540/month for a producing well. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Yates further requests that the rates be adjusted annually under the COPAS accounting procedure.


Charles E. Moran

SUBSCRIBED AND SWORN TO before me this 12th day of October, 2011 by Charles E. Moran:


Notary Public

My Commission Expires:

4/12/2014



OFFICIAL SEAL
Lorina E. Flores
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 4/12/2014

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised July 16, 2010

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-38990	Pool Code	Pool Name Wildcat; Bone Spring
Property Code 38516	Property Name GRATEFUL "BOD" FEDERAL COM ✓	Well Number 1H ✓
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3499'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	13	18 S	29 E		786	NORTH	545	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	18 S	29 E		660	NORTH	330	WEST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

PROPOSED BOTTOM HOLE LOCATION
 Lat - N 32°45'10.58"
 Long - W 104°02'08.77"
 NMSPCE- N 637779.42
 E 632817.51
 (NAD-83)

SURFACE LOCATION
 Lat - N 32°45'09.52"
 Long - W 104°01'17.28"
 NMSPCE- N 637678.170
 E 637217.915
 (NAD-83)

Penetration Point
 775' FNL & 1022' FEL

Project AREA Production AREA

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Cy Cowan 3/9/11
 Signature Date

Cy Cowan
 Printed Name

cy@yatespetroleum.com
 Email Address

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

GARY L. JONES 2011
 Date Surveyed

[Signature]
 Signature & Seal of Professional Surveyor

Certificate No. Gary L. Jones 7977
 BASIN SURVEYS 24180

RECEIVED
 APR 14 2011
 NMOC D ARTESIA

EXHIBIT
 A

MARTIN YATES, III
1912-1985
FRANK W. YATES
1936-1986
S.P. YATES
1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

JOHN A. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES JR.
PRESIDENT
SCOTT M. YATES
VICE PRESIDENT
JAMES S. BROWN
CHIEF OPERATING OFFICER
JOHN D. PERINI
CHIEF FINANCIAL OFFICER
JORGE S. MENDOZA
CHIEF ADMINISTRATIVE OFFICER

December 17, 2010

CERTIFIED MAIL / RETURN RECEIPT

Working Interest Owners
Address List Attached

Re: Well Proposal – AFE No. 10-295-0
Grateful BOD Federal Com. #1H
SHL: 660' FNL & 330' FEL, BHL: 660' FNL & 330' FWL
N/2N/2 Sec. 13-T18S-R29E
Eddy County, New Mexico

Dear Working Interest Owner:

Yates Petroleum Corporation proposes the drilling of the captioned well as a horizontal Bone Spring test and we invite you to participate. The proposed project area for the well covers N/2N/2 Sec. 13-T18S-R29E. I enclose for your review and execution two copies of the Authority for Expenditure (AFE No. 10-295-0) and the proposed 1989 A.A.P.L. Model Form Operating Agreement with extra signature pages. I request that you sign and return one copy of the AFE and the signature pages to the operating agreement to me if you wish to participate. The proposed well's dryhole cost as shown on the enclosed AFE is estimated to be \$1,889,000.00 and the completed cost is \$4,295,000.00. The proposed bottom hole for the well will be in the NW/4NW/4 of Sec. 13 and the surface location will be in the NE/4NE/4 of Sec. 13; please see the prognosis on the AFE for a more detailed explanation of the proposed well.

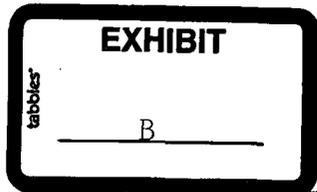
If you have any questions, please call me at 575-748-4349 or email me at cmoran@yatespetroleum.com.

Very truly yours,

YATES PETROLEUM CORPORATION


Chuck Moran
Chief Landman

Enclosures:



MARTIN YATES, III
1912-1985
FRANK W. YATES
1936-1986
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CHIEF ADMINISTRATIVE OFFICER

January 28, 2011

Estate of William P. Dooley
Paula Dooley, Successor Personal Representative
1006 S. 2nd Street
Artesia, NM 88210

Re: **Replacement Page 7 of Operating Agreement**
Grateful BOD Federal Com #1H
N/2N/2 of Sec. 13-T18S-R29E
Eddy County, New Mexico

Dear Ms. Dooley:

Enclosed, please find replacement Page 7 of the captioned Joint Operating Agreement dated December 15, 2010. Please substitute the previous Page 7 with the enclosed into the Operating Agreement. Since you have already signed the agreement, please sign this letter acknowledging your acceptance of the changes.

If you have any questions, please give me a call at 575-748-4349 or by email cmoran@yatespetroleum.com.

Very truly yours,

YATES PETROLEUM CORPORATION

Chuck Moran
Chief Landman

Enclosures

I/We acknowledge acceptance of changes to Page 7 of the Operating Agreement dated December 15, 2010.

Name _____

Title _____

Date _____

MARTIN YATES, III
1912-1985
FRANK W. YATES
1936-1986
S.P. YATES
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CHIEF ADMINISTRATIVE OFFICER

January 28, 2011

Estate of Florence M. Dooley
Patrick Dooley, Personal Representative
1006 S. 2nd Street
Artesia, NM 88210

Re: **Replacement Page 7 of Operating Agreement**
Grateful BOD Federal Com #1H
N/2N/2 of Sec. 13-T18S-R29E
Eddy County, New Mexico

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JORGE S. MENDOZA
CHIEF ADMINISTRATIVE OFFICER

May 26, 2011

Estate of William P. Dooley,
Paula Dooley, Successor Personal Rep.
Attn: Paula Dooley
1006 S. 2nd Street
Artesia, NM 88210

Re: AFE 10-295-0
Grateful BOD Federal Com #1H
Sec. 13-T18S-R29E
Chaves County, New Mexico

Dear Ms. Dooley:

On December 17, 2010, we sent you an AFE and an Operating Agreement for the captioned well. We are in receipt of the signature pages for the Operating Agreement but as of today we have not received your signed AFE. In case you have lost it, we have enclosed for your review and execution two (2) more copies of the AFE. We request you sign and return one copy of this AFE immediately, the other copy is for your records.

If you have any questions, please contact Chuck Moran at 575-748-4349 or via email at cmoran@yatespetroleum.com.

Thank you,

YATES PETROLEUM CORPORATION

Lori Flores
Land Assistant

//f
Enclosure

MARTIN YATES, III
1912-1985
FRANK W. YATES
1936-1986
S.P. YATES
1914-2008



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CHIEF ADMINISTRATIVE OFFICER

May 26, 2011

Estate of Florence M. Dooley,
Patrick Dooley, Personal Representative
Attn: Patrick Dooley
1006 S. 2nd Street
Artesia, NM 88210

Re: AFE 10-295-0
Grateful BOD Federal Com #1H
Sec. 13-T18S-R29E
Chaves County, New Mexico

Dear Ms. Dooley:

On December 17, 2010, we sent you an AFE and an Operating Agreement for the captioned well. We are in receipt of the signature pages for the Operating Agreement but as of today we have not received your signed AFE. In case you have lost it, we have enclosed for your review and execution two (2) more copies of the AFE. We request you sign and return one copy of this AFE immediately, the other copy is for your records.

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Thank you,

YATES PETROLEUM CORPORATION

Lori Flores
Land Assistant

/lf
Enclosure



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

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 10-295-0
AFE DATE 10/29/2010
AFEND (REV 0/82) 10-29-10

AFE Type:	Well Objective:	Well Type:	AFE STATUS:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development	<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Recompletion	<input type="checkbox"/> Gas	<input type="checkbox"/> Exploratory	<input type="checkbox"/> Revised
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector		<input type="checkbox"/> Final
			<input type="checkbox"/> Supplemental

LEASE NAME	Grateful BOD Federal Com. #1H	PROJ'D DEPTH	7,980' TVD (12,395' MD)
COUNTY	Chaves	STATE	New Mexico
FIELD		HORIZON	Bone Springs
LOCATION	Section 13, T18S-R29E, Surf: 660' N & 330' E, BHL: 660' N & 330' W		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: New well drilled horizontally at 7,980' TVD (12,395' MD) to test the 2nd Bone Springs.
No Pilot Hole

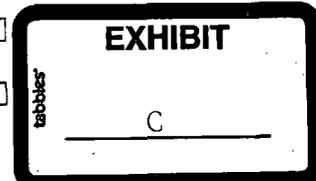
INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	5,000	5,000
920-105	Environmental Permitting/Pit Closure		
920-110	Location, Right-of-Way	40,000	40,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork 32 days @ \$16,000/day + 70,000 for mob & R.H.	623,000	623,000
920-135	Drilling, Power & Fuel \$2,500/day rig fuel	80,000	80,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	80,000	80,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing	60,000	60,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	70,000	70,000
920-200	Surface Drilling Tools & Equip. Rntl. includes closed loop	300,000	300,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	60,000	60,000
920-220	Contingency for Drilling		
920-225	Down-hole Drilling Tool & Equip. Rental includes dir. Tools	250,000	250,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		100,000
920-410	Completion Unit - Swabbing		50,000
920-420	Water for Completion		40,000
920-430	Mud & Additives for Completion		1,500
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		85,000
920-460	Surface Completion Tool & Equip. Rental		150,000
920-465	Down-hole Completion Tool & Equip. Rental		
920-470	Stimulation for Completion		1,200,000
920-480	Supervision & O/H - Completion		10,000
920-490	Additional LOC Charges - Completion		
920-510	Bits, Tools & Supplies - Completion		25,000
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,718,000	3,379,500

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead	3,000	25,000
930-020	Casing 11 3/4" @ 400'	23,000	23,000
	8 5/8" @ 3,300'	145,000	145,000
	5 1/2" @ 12,395'		260,000
930-030	Tubing 2 7/8" @ 12,200'		87,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		150,000
940-015	Electrification		8,500
940-020	Storage Facilities		150,000
940-030	Separation Equip., Flowlines, Misc.		50,000
940-040	Trucking & Construction Costs		17,000
TOTAL TANGIBLE EQUIPMENT COSTS		171,000	915,500
TOTAL COSTS		1,889,000	4,295,000

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

Prepared By CM Jeremiah Mullen	Operations Approval
-----------------------------------	------------------------

YATES PETROLEUM CORPORATION	15.830000%
BY _____ DATE _____	
ABO PETROLEUM CORPORATION	10.556670%
BY _____ DATE _____	
JOHN A. YATES TRUST O u/w/o PEGGY A. YATES, DECEASED	1.978750%
BY _____ DATE _____	1.978750%
SHARBRO OIL LTD. CO.	46.184160%
BY _____ DATE _____	



Sacramento Partners Limited Partnership	1.978750%
BY _____ DATE _____	
Mulberry Partners, II, LLP	0.494688%
BY _____ DATE _____	
S. Clair Peyton Yates, Jr.	0.494687%
BY _____ DATE _____	
Richard Martin Yates and Brenda Yates, H/W	0.494687%
BY _____ DATE _____	
Harvey E. Yates Company	2.259142%
BY _____ DATE _____	
Jalapeno Corporation	0.949568%
BY _____ DATE _____	
Yates Energy Corporation	0.748790%
BY _____ DATE _____	
Oxy Y-1 Company	11.051358%
BY _____ DATE _____	
Terence Patrick Perkins	2.083334%
BY _____ DATE _____	
Estate of William P. Dooley, Paula Dooley, Successor Personal Representative	0.833333%
BY _____ DATE _____	
Estate of Florence M. Dooley, Patrick Dooley, Personal Representative	2.083333%
BY _____ DATE _____	

Total : 100.000000%