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2011 SEP 12 P 3:36

WRITER:

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September 12, 2011

Via Hand Delivery

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Case 14740

Re: Application of Yates Petroleum Corporation

Dear Florene:

Enclosed for filing please find: (1) the original and one (1) copy of an application by Yates Petroleum Corporation for a non-standard oil spacing and proration unit and compulsory pooling; and (2) a proposed advertisement.

I request that the enclosed application be set for hearing on the October 13, 2011 Examiner Docket.

Thank you for your attention to this matter.

Sincerely,


Gary W. Larson

GWL:js
Encls.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED OCD

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

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Case No. 14740

APPLICATION

Yates Petroleum Corporation ("Yates") applies for an order (i) approving a non-standard oil spacing and proration unit 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., Eddy County, New Mexico, and (ii) pooling all uncommitted mineral interests from the surface to the base of the Bone Spring formation underlying the non-standard unit. In support of its Application, Yates states:

1. Yates is an interest owner in the N/2 N/2 of Section 13, and is in the process of drilling a horizontal well thereon.
2. Yates is drilling the Grateful BOD Fed Com #1H horizontal well to a depth sufficient to test the Bone Spring formation. It seeks to dedicate the N/2 N/2 of Section 13 to the well to form a non-standard 160 acre oil spacing and proration unit (project area). The Grateful BOD Fed Com #1H well has an orthodox surface location in the NE/4 NE/4 of Section 13, and will have a terminus at an orthodox location in the NW/4 NW/4 of Section 13.
3. Yates has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N/2 N/2 of Section 13 for the purposes set forth herein.
4. Although Yates has attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, two of the interest owners have failed or refused to join in dedicating their interests.

Therefore, Yates seeks an order pooling the uncommitted interest owners in the N/2 N/2 of Section 13, from the surface to the base of the Bone Spring, pursuant to NMSA §§70-2-17 & 18.

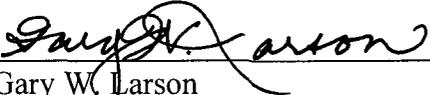
5. Approval of the non-standard unit and the pooling of the uncommitted mineral interests underlying the N/2 N/2 of Section 13 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Yates requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2 E/2 of Section 13;
- B. Pooling all uncommitted mineral interests in the N/2 N/2 of Section 13 from the surface to the base of the Bone Spring formation;
- C. Designating Yates Petroleum Corporation as the operator of the Grateful BOD Fed Com #1H well;
- D. Considering the cost of drilling and completing the well and allocating the cost among the well's uncommitted working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event the uncommitted working interest owner elects not to participate in the well.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR &
MARTIN, LLP



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*Counsel for Applicant Yates Petroleum
Corporation*

PROPOSED ADVERTISEMENT

Case No. 14740 :

Application of Yates Petroleum Corporation for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant 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, NMPM. Applicant further seeks the pooling of all uncommitted mineral interests from surface to the base of the Bone Spring formation underlying the N/2 N/2 of Section 13 to form a non-standard 160 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Grateful BOD Fed Com #1H well, a horizontal well drilled at an orthodox surface location in the NE/4 NE/4 of Section 13 with a terminus at an orthodox location in the NW/4 NW/4 of Section 13. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, the designation of Yates Petroleum Corporation as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 5 miles southwest of Loco Hills, New Mexico.