

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

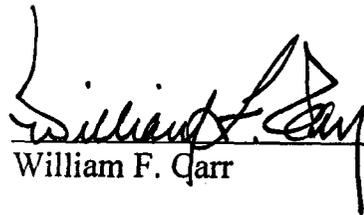
**IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

CASE NO. 13461

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr, attorney in fact and authorized representative of Yates Petroleum Corporation, the Applicant herein, being first duly sworn, upon oath, states that notice of the above-referenced Application was mailed to the interested parties shown on Exhibit "A" attached hereto in accordance with Oil Conservation Division Rules, and that true and correct copies of the notice letter and proof of notice are attached hereto.



William F. Carr

SUBSCRIBED AND SWORN to before me this 21st day of March 2005 by

William F. Carr.
OFFICIAL SEAL
LISAMARIE ORTIZ
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires 1/14/07





Notary Public

My Commission Expires: January 14, 2007

Exhibit A

**Application of Yates Petroleum Corporation
for compulsory pooling
Eddy County, New Mexico
(Rushing NJ Deep Com #3)
Section 6:Unit Letter O
Township 19 South, Range 25 East, NMPM
Eddy County, New Mexico.**

**Billy J. Walcott, Deceased
c/o Bobby Walcott
8211 New Hampshire Street, NE
Albuquerque, New Mexico 87110-2424**



March 15, 2005

CERTIFIED MAIL-
RETURN RECEIPT REQUESTED

Billy J. Walcott, deceased
c/o Bobby Walcott
8211 New Hampshire Street, NE
Albuquerque, New Mexico 87110-2424

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 6, Township 19 South, Range 25 East, NMPM: the E/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 Penasco Draw- Permo Pennsylvanian Gas Pool, Penasco Draw-Morrow Gas Pool, and the Penasco Draw-San Andres-Yeso Associated Pool; the SE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Dagger-Draw Upper Pennsylvanian Pool; and the SW/4 SE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Penasco Draw-San Andres-Yeso Associated Pool. Said units are to be dedicated to Rushing NJ Deep Com Well No. 3 to be drilled 1030 feet from the South line and 1650 feet from the East line of said Section 6 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 April 7, 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

HOLLAND & HART^{LLP}



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,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr
ATTORNEY FOR YATES PETROLEUM
CORPORATION

cc: Susan Vierra
Yates Petroleum Corporation

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

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

CASE NO. _____

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 6, Township 19 South, Range 25 East, NMPM: the E/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 Penasco Draw-Permo Pennsylvanian Gas Pool, Penasco Draw-Morrow Gas Pool, and the Penasco Draw-San Andres-Yeso Associated Pool; the SE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Dagger-Draw Upper Pennsylvanian Pool; and the SW/4 SE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Penasco Draw-San Andres-Yeso Associated Pool, and in support thereof states:

1. Yates is a working interest owner in the E/2 of said Section 6 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing and proration unit to its Rushing "NJ" Deep Com Well No. 3 to be drilled at a standard location 1030 feet from the South line and 1650 feet from the East line to an approximate depth of 12,000 feet to test all formations from the surface through the base of the Morrow formation.
3. Yates has sought and been unable to locate and thereby obtain a voluntary agreement for the development of these lands from Billy J. Walcott (Deceased), c/o Bobby Walcott, 8211 New Hampshire Street, NE, Albuquerque, New Mexico 87110-2424.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

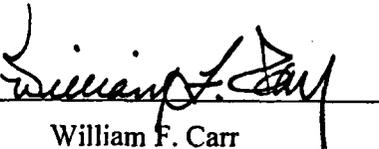
5. In order to permit Yates the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 7, 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

CASE _____ :

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 6, Township 19 South, Range 25 East, NMPM: the E/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 Penasco Draw-Permo Pennsylvanian Gas Pool, Penasco Draw-Morrow Gas Pool, and the Penasco Draw-San Andres-Yeso Associated Pool; the SE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Dagger-Draw Upper Pennsylvanian Pool; and the SW/4 SE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Penasco Draw-San Andres-Yeso Associated Pool. Said units are to be dedicated to its Rushing NJ Deep Com Well No. 3 to be drilled 1030 feet from the South line and 1650 feet from the East line (Unit O) of said Section 6 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 10 miles northwest of Lakewood, New Mexico.

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$ 1.83
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.88

Sent To
 Yates Residing
 Billy J. Walcott, dec'd, c/o Bobby Walcott
 Street, Apt. No.,
 or PO Box No. 8211 New Hampshire St.,
 City, State, ZIP+4 Albuquerque NM 87114



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Billy J. Walcott, deceased
 c/o Bobby Walcott
 8211 New Hampshire
 Street NE
 Albuquerque NM 87110-2424

2. Article Number (Copy from)

7001 1140 0002 9558 0302

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
 3-19-05

C. Signature
 X *Billy Walcott* Agent Addressee

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Affidavit of Publication

NO. 18811

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn, says: That he is the Publisher of The Artesia Daily Press, a daily newspaper of general circulation, published in English at Artesia, said county and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of the state of New Mexico for

1 consecutive week/days on the same

day as follows:

First Publication March 18 2005

Second Publication _____

Third Publication _____

Fourth Publication _____

Subscribed and sworn to before me this

21st Day March 2005

Barbara Ann Peers
Notary Public, Eddy County, New Mexico

My Commission expires September : 23, 2007

Copy of Publication:

NOTICE OF PUBLICATION STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on April 7, 2005, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability, who is in need of a reader, amplifier, qualified sign language interpreter or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by March 28, 2005. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:

All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 13461:
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 6, Township 19 South, Range 25 East, NMPM, the E/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 Penasco Draw, Permian Pennsylvanian Gas Pool, Penasco Draw-Morrow Gas Pool, and the Penasco Draw-San Andres-Yeso Associated Pool, the SE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Dagger-Draw Upper Pennsylvanian Pool, and the SW/4 SE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Penasco Draw-San Andres-Yeso Associated Pool. Said units are to be dedicated to its Rushing NJ Deep Com Well No. 3 to be drilled 1030 feet from the South line and 1650 feet from the East line (Unit O) of said Section 6 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 10 miles northwest of Lakewood, New Mexico. Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa

LEGAL NOTICE

Fe, New Mexico on the 17th day of March 2005
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
Mark E. Fesmire, P.E.
Director
Published in the Artesia Daily Press, Artesia, N.M. March 18, 2005.
Legal 18811