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October 21, 2014


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

Case 15233

Dear Florene:

Enclosed for filing, on behalf of Harvey E. Yates Company, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the November 30, 2014 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Nadel and Gussman Heyco, L.L.C.

Parties Being Pooled (Highlighted in Green)

Working Interest Owner
Harvey E. Yates Company
Nadel and Gussman Capital
The Allar Company
Chevron U.S.A.
Global Nevada, Galaxy Inc.
Grace Pearl Hollandsworth
Grande Drilling Corp.
Harle, Inc.
James K. Lusk Trust
James M. Stockton
Janet Arnold
Keith McKamey
Lonnie Arnold
Patsy Hollandsworth
Peggy Runyan
Prime Energy Asset Fund AA-3
Prime Energy Asset Fund AA-4
Pro-Kem, Inc.
Talus, Inc.
Twin Montana
Vicky Moser
Cimarex Energy
XTO Energy

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**APPLICATION OF HARVEY E. YATES COMPANY
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT, COMPULSORY POOLING, AND
AN UNORTHODOX OIL WELL LOCATION, LEA
COUNTY, NEW MEXICO.**

Case No. 15233

APPLICATION

Harvey E. Yates Company applies for an order (i) approving a 240 acre non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 22 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 27, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and (iii) approving an unorthodox oil well location, and in support thereof, states:

1. Applicant is an interest owner in the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 22 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 27, and has the right to drill a well thereon.
2. Applicant proposes to drill the Mallon 27 Fed. Com. Well No. 1H to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 22 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 27 to the well to form a non-standard 240 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 or 80 acre spacing within that vertical extent. The well is a horizontal well with a surface location 330 feet from the south line and 660 feet from the east line of Section 27, and a terminus 2310 feet from the south line and 660 feet from the east line of Section 22. The location is unorthodox under the regulations for the Lea-Bone Spring Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½SE¼ of Section 22 and the E½E½ of Section 27 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the wells or to otherwise commit their interests to the wells, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½SE¼ of Section 22 and the E½E½ of Section 27, pursuant to NMSA 1978 §§70-2-17, 18.

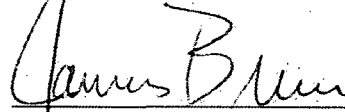
5. Approval of the non-standard unit, the pooling of all mineral interests underlying the E½SE¼ of Section 22 and the E½E½ of Section 27, and approval of the unorthodox well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant 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 in the E½SE¼ of Section 22 and the E½E½ of Section 27;
- B. Pooling all mineral interests in the Bone Spring formation underlying the E½SE¼ of Section 22 and the E½E½ of Section 27;
- C. Approving the unorthodox oil well location;
- D. Designating applicant as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the costs among the well's working interest owners;

- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Harvey E. Yates Company

PROPOSED ADVERTISEMENT

Case No. 15233:

Application of Harvey E. Yates Company for approval of a non-standard oil spacing and proration unit, compulsory pooling, and an unorthodox oil well location, Lea County, New Mexico. Applicant seeks an order approving a 240-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the E/2SE/4 of Section 22 and E/2E/2 of Section 27, Township 19 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard spacing and proration unit (project area) for all pools or formations developed on 40 or 80 acre spacing within that vertical extent. The unit is to be dedicated to the Mallon 27 Fed. Com. Well No. 1H, a horizontal well with a surface location 330 feet from the south line and 660 feet from the east line of Section 27, and a terminus 2310 feet from the south line and 660 feet from the east line of Section 22. The location is unorthodox under regulations for the Lea-Bone Spring Pool. 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, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 11-1/2 miles west-southwest of Oil Center, New Mexico.

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