

HOLLAND & HART LLP



**Ocean Munds-Dry
Associate**

omundsdry@hollandhart.com

January 25, 2006

VIA HAND DELIVERY

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

Case 13652

2006 JUN 25 PM 4 00

**Re: Application of Yates Petroleum Corporation for Compulsory Pooling,
Eddy County, New Mexico.**

Dear Mr. Fesmire:

Enclosed in triplicate is an application for Yates Petroleum Corporation, as well as copies of the docket advertisement. Yates requests that these matters be placed on the docket for the March 2, 2006 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

OMD

Enclosures

cc: Susan Vierra
Yates Petroleum Corp.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☺

**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. 13652

2006 JAN 22
PM 4 00

APPLICATION

Yates Petroleum Corporation ("Yates"), through its undersigned attorneys, hereby makes application for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Morrow formation underlying the S/2 of Section 17, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit for all formations spaced on 320 acres which includes but is not necessarily limited to the Undesignated Chosa Draw-Morrow Gas Pool, the Undesignated Sage Draw-Wolfcamp Gas Pool and the Undesignated Sage Draw-Atoka Gas Pool; and the SE/4 to form a standard 160-acre spacing and proration unit for all formations spaced on 160 acres within this vertical extent.

In support of its application Yates states:

1. Yates is a working interest owner in the S/2 of Section 17 and has the right to drill thereon.
2. Yates proposes to dedicate the S/2 of Section 17 to its Chosa ATR Federal Com Well No. 3, to be drilled at a standard location 1980 feet from the South line and

1650 feet from the East line in the NW/4 SE/4 of Section 17 to test the Morrow formation at a depth of approximately 12,150 feet.

3. Yates has attempted but has been unable to reach agreement with a certain interest owner in the S/2 of Section 17 identified on Exhibit A to this application.

4. Approval of this application 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 uncommitted mineral interests should be pooled, and Yates should be designated operator of the proposed well.

WHEREFORE, Yates requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 2, 2006, and that after notice and hearing as required by law the Division enter its order:

- A. pooling all uncommitted mineral interests in the subject spacing and proration unit;
- B. designating Yates as operator of the unit and the proposed well;
- C. authorizing Yates to recover its costs of drilling, equipping and completing this well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion of this well, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in this project.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry

William F. Carr
Ocean Munds-Dry
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORP.

EXHIBIT A

**IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORP. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.
(Chosa ATR Federal Com Well No. 3)**

Whitten Witherspoon
7524 Pear Tree Lane
Fort Worth, Texas 76133

CASE 13652: **In The Matter Of The 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 to the base of the Morrow formation in the S/2 of Section 17, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, in order to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres including but not necessarily limited to the Undesignated Chosa Draw-Morrow Gas Pool, the Undesignated Sage Draw-Wolfcamp Gas Pool and the Undesignated Sage Draw-Atoka Gas Pool; and the SE/4 in order to form to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent. This spacing and proration unit is to be dedicated to the Chosa ATR Federal Com Well No. 3 to be drilled at a standard location 1980 feet from the South line and 1650 feet from the East line in the NW/4 SE/4 of said Section 17 to test the Morrow formation at a depth of approximately 12,150 feet. Also to be considered will the cost of drilling and completion of said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 16 miles south of Carlsbad, New Mexico.



January 25, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Mr. Whitten Witherspoon

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

Mr. Witherspoon:

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 certain spacing and proration units in the S/2 of Section 17, Township 25 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. Said pooled units are to be dedicated to Yates's Chosa ATR Federal Com. Well No. 3 to be drilled at a standard location 1980 feet from the South line and 1650 feet from the East line in the NW/4 SE/4 of said Section 17 to test the Morrow formation at a depth of approximately 12,150 feet.

This application has been set for hearing before a Division Examiner on March 2, 2006. The hearing will be held in Porter Hall at the 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.

Any person desiring to appear and present technical evidence at the hearing is required by Division Rules 1208 and 1211 to file an entry of appearance five business days in advance of a scheduled hearing, and a prehearing statement four days in advance of the hearing, but in no event later than the Thursday preceding the scheduled hearing date. The prehearing statement must include: the party and the party's attorney; the reasons a party supports or opposes the application; the names and expertise 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.

Sincerely,

Ocean Munds-Dry

ATTORNEY FOR YATES PETROLEUM CORP.