

HOLLAND & HART LLP



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources -oil and gas law -
New Mexico Board of Legal
Specialization

mfeldewert@hollandhart.com

August 4, 2009

HAND-DELIVERED

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 14367

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Re: Application of Yates Petroleum Corporation for a nonstandard spacing and proration unit for a directional well project area, for compulsory pooling, and for rescission of a permit to drill, Chaves County, New Mexico.

Dear Mr. Fesmire:

Enclosed in duplicate is the Application of Yates Petroleum Corporation in the above-referenced matter as well as a copy of the legal advertisement. Yates requests that this matter be placed on the docket for the September 3, 2009 examiner hearings.

Sincerely,


Michael H. Feldewert

Enclosure

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

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

**APPLICATION OF YATES PETROLEUM CORPORATION FOR
A NON-STANDARD SPACING UNIT AND PRORATION UNIT FOR
A DIRECTIONAL WELL PROJECT AREA, FOR COMPULSORY POOLING,
AND FOR RECISION OF A PERMIT TO DRILL,
CHAVES COUNTY, NEW MEXICO**

CASE NO.:

14367

APPLICATION

Yates Petroleum Corporation ("Yates") applies to the Oil Conservation Division for an order creating a 160-acre non-standard spacing and proration unit for a directional oil well project area comprised of the S/2 S/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chavez County, New Mexico, for an order pooling all mineral interests in the Abo-Wolfcamp formations underlying this non-standard spacing and proration unit, and for recision of a competing APD issued by the Division to Marshall & Winston for API No. 30-005-29098. In support of this application, Yates states:

1. Yates holds a federal oil and gas lease covering the SE/4 of Section 9. Upon information and belief, Marshall & Winston holds a fee oil and gas lease covering the SW/4 of Section 9.

2. Yates seeks to combine the S/2 S/2 of Section 9 to form a 160-acre non-standard spacing unit and proration unit for its proposed Derbi BOD Com Well No. 1 (API No. 30-005-29094). Said well is to be drilled horizontally in a westerly direction in the Abo-Wolfcamp formations from a surface location 330 feet from the South line and 350 feet from the East line in

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the SE/4 of Section 9 to a terminus at a standard bottom hole location 950 feet from the South line and 330 feet from the West line in the SW/4 of Section 9.

3. Yates has been unable to obtain voluntary agreement for this project from Marshall & Winston.

4. In May of 2009, Yates applied for and received from the Bureau of Land Management an APD for its proposed directional well. Yates' approved APD was filed with the Division's Hobbs office on May 8, 2009, and on May 28, 2009, the Division approved the closure plan (Form C-144) for Yates' proposed well.

5. In July of 2009, Marshall & Winston applied for and received from the Division an APD for its proposed Medlin 9 Fee Well No. 1 (API No. 30-005-29098), a directional well to be drilled from a surface location in the NE/4 SW/4 of Section 9 in a southwesterly direction to a bottom hole location in the SW/4 SW/4 of Section 9.

6. Marshall & Winston's competing APD is untimely, improper, and will result in the waste of the oil and gas reserves in the S/2 of Section 9.

7. The granting of this application and the rescission of the competing APD for API No. 30-005-29098 is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

8. Notice has been provided to Marshall & Winston as required by Division rules.

WHEREFORE, Yates requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 3, 2009 and, after notice and hearing as required by law, the Division enter its order:

A. Approving a non-standard spacing and proration unit comprised of the S/2 S/2 of Section 9 to create a project area for Yates' proposed directional well;

B. pooling all mineral interests in the Abo-Wolfcamp formations underlying this non-standard spacing and proration unit;

C. designating Yates as the operator of this non-standard spacing unit, project area and the proposed directional well;

D. authorizing Yates to recover its costs of drilling, equipping and completing the well,

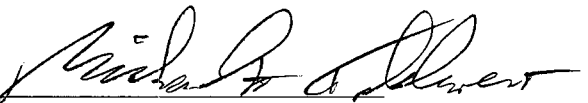
E. approving operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures,

F. imposing a 200% penalty for the risk assumed by Yates in drilling and completing this well against any working interest owner who does not voluntarily participate; and

G. rescinding the competing and untimely APD issued to Marshall & Winston for API No. 30-005-29098.

Respectfully submitted,

HOLLAND & HART LLP

By: 

WILLIAM F. CARR
MICHAEL H. FELDEWERT
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

**ATTORNEYS FOR YATES PETROLEUM
CORPORATION.**

CASE 14367: **Application of Yates Petroleum Corporation for a nonstandard spacing and proration unit for a directional well project area, for compulsory pooling, and for recision of a permit to drill, Chaves County, New Mexico.** Applicant in the above-styled cause seeks approval of a 160-acre non-standard spacing and proration unit for a directional oil well project area comprised of the S/2 S/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico. Applicant proposes to dedicate this non-standard spacing and proration unit to its proposed Derbi BOD Com Well No. 1 (API No. 30-005-29094), a wildcat well to be drilled horizontally in a westerly direction in the Abo-Wolfcamp formations from a surface location 330 feet from the South line and 350 feet from the East line in the SE/4 of Section 9 to a terminus at a standard bottom hole location 950 feet from the South line and 330 feet from the West line in the SW/4 of Section 9. Applicant seeks to pool all mineral interests in the Abo-Wolfcamp formations underlying the above described spacing and proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of Yates Petroleum Corporation as operator of the well and non-standard spacing unit, and a charge for risk involved in drilling said well. Applicant also seeks recision of a competing permit to drill issued to Marshall & Winston for API No. 30-005-29098. This area is located approximately 12 miles north of Maljamar, New Mexico.