

BEFORE THE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF YATES PETROLEUM CORPORATION,  
FOR COMPULSORY POOLING,  
DIRECTIONAL DRILLING AND  
AN UNORTHODOX LOCATION,  
LEA COUNTY, NEW MEXICO.

CASE NO. 11738

**APPLICATION**

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the W/2, in all formations developed on 160-acre spacing underlying the NW/4, in all formations developed on 80-acre spacing the E/2 NW/4 and in all formations developed on 40-acre spacing underlying the SE/4 NW/4 of Section 11, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Yates also seeks approval to directionally drill this well from a standard surface location to a target area that includes unorthodox locations in the Strawn, Atoka and Morrow formations, and in support hereof states:

1. Yates is a working interest owner in the W/2 of Section 11, and Yates has the right to drill thereon.
2. Yates proposes to directionally drill a well from an orthodox surface location

1980 feet from the North and West lines of said Section 11 to an orthodox bottomhole location in the Morrow formation within 50 feet of a point 1650 feet from the North line and 1980 feet from the West line (Unit C) of said Section 11 to test all formations from the surface to the base of the Morrow formation, Undesignated Townsend-Morrow Gas Pool.

4. Yates has sought and been unable to obtain either a voluntary agreement for pooling or farmout from certain interest owners in the W/2 of said Section 11.

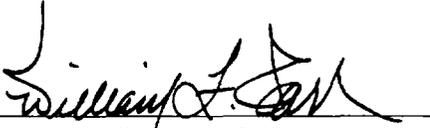
5. Said pooling of interests and the drilling of the proposed well to the proposed target bottomhole location will avoid the drilling of unnecessary wells, will prevent waste and protect correlative rights.

6. In order to permit Yates to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates 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 March 6, 1997, and, after notice and hearing as required by law, the Division enter its order (1) approving the directional drilling of the proposed well to the requested unorthodox locations, and (2) pooling the subject spacing and proration units, including provisions designating Yates operator of the well and spacing units, authorizing Yates to recover its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Yates in drilling, completing and equipping the well.

Respectfully submitted,

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& SHERIDAN, P.A.

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ATTORNEYS FOR YATES PETROLEUM  
CORPORATION

CASE 11738:

Application of Yates Petroleum Corporation for compulsory pooling, directional drilling and an unorthodox location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the W/2, in all formations developed on 160-acre spacing underlying the NW/4, in all formations developed on 80-acre spacing underlying the E/2 NW/4, and in all formations developed on 40-acre spacing underlying the SE/4 NW/4, from the surface to the base of the Morrow formation, of Section 11, Township 16 South, Range 35 East. Said units are to be dedicated to a well which will be directionally drilled from a standard surface location 1980 feet from the North and West lines to a target area within 50 feet from a point 1650 feet from the North line and 1980 feet from the West line of said Section 35 that includes unorthodox locations in the Strawn, Atoka and Morrow formations Undesignated Townsend-Morrow Gas Pool. 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 applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3.5 miles west of Lovington, New Mexico.

