

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

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

**CASE NO. 12227**

OIL CONSERVATION DIV  
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**APPLICATION**

COME NOW, DAVID PETROLEUM CORPORATION and YATES PETROLEUM CORPORATION (“David/Yates”), through their undersigned attorneys, hereby make application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from the surface to the base of the Mississippian formation in the E/2 of Section 19, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico to form a standard spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated East Morton-Morrow Gas Pool, and in support of this application state:

1. Applicants are working interest owners in the acreage to be pooled in said Section 19 and have the right to drill thereon.
2. Applicants propose to dedicate the above-referenced spacing or proration unit to their proposed Friend “AZM” Com Well No. 1 to be drilled in the NW/4 NE/4 of Section 19 at a standard location 660 feet from the North line and 1980

feet from the East line to a depth sufficient to test any and all formations from the surface to the base of the Mississippian formation.

3. Applicants have sought and been unable to reach a voluntary agreement for pooling the E/2 of Section 19 with David H. Arrington Oil & Gas, Inc., Post Office Box 2071, Midland, Texas 79702.

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 the Applicants to obtain their 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, David Petroleum Corporation and Yates Petroleum Corporation request that this application be set for hearing before an Examiner of the Oil Conservation Division on September 20, 2001, and, after notice and hearing as required by law, the Division enter its order:

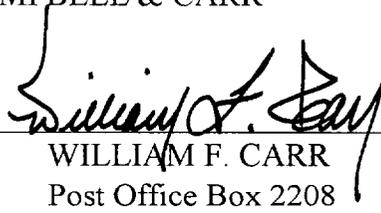
- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Yates Petroleum Corporation operator of these units and the well to be drilled thereon,
- C. authorizing Yates to recover its costs of drilling, equipping and completing the well,
- D. approving the actual 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 penalty for the risk assumed by the Applicants 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  
AND  
CAMPBELL & CARR

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