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July 16, 1991

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED

JUL 16 1991

OIL CONSERVATION DIV.
SANTA FE

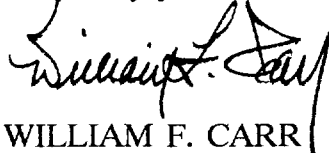
10365

Re: In the Matter of the Application of Harvey E. Yates Company for
Compulsory Pooling, Lea County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Amended Application of Harvey E. Yates Company in the above-referenced case. Harvey E. Yates Company respectfully requests that this matter be placed on the docket for the August 8, 1991 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosure: Mr. Robert H. Bell

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

IN THE MATTER OF THE APPLICATION
OF HARVEY E. YATES COMPANY FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

JUL 16 1991

CASE NO. OIL CONSERVATION DIV.
SANTA FE

A M E N D E D
APPLICATION

10365

HARVEY E. YATES COMPANY by its undersigned attorneys, pursuant to N.M.S.A. § 70-2-17 (1978), hereby makes application for an order pooling all of the mineral interests in the NW/4 NE/4 of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant owns or represents more than 99% of the working interest in and under the NW/4 NE/4 of Section 32, and Applicant has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Atlantic 32 State Well No. 4 to be located at a standard location in the NW/4 NE/4 of said Section 32 to test the Queen formation, Buffalo Queen Pool, the Yates formation, Undesignated Buffalo-Yates Pool and the ~~Grayburg formation, Undesignated Loco Hills~~ Grayburg Pool.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other interest owners in the NW/4 NE/4 of said Section 32, except for Edgar J. Braun, One Embarcadero Center, Suite 310, San Francisco, California 94111 who owns a .00126580 working interest in this spacing unit.

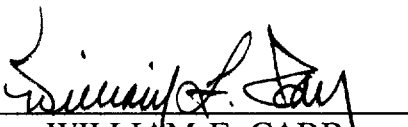
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on August 8, 1991, and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

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

ATTORNEYS FOR HARVEY E.
YATES COMPANY

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NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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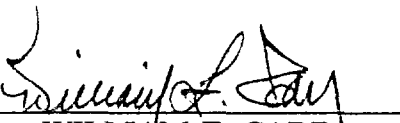
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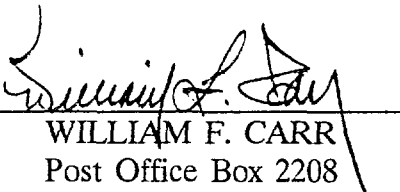
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ATTORNEYS FOR HARVEY E.
YATES COMPANY

GENERALIZED SECTIONS SOUTHEASTERN NEW MEXICO

PLATFORM - SHELF				DELAWARE BASIN				
SYSTEM	SERIES	GROUP	FORMATION	FORMATION	GROUP	SERIES	SYSTEM	
QUATERNARY			*Bolsom, Caliche & Alluvium*				QUATERNARY	
TERTIARY			OGALLALA	OGALLALA			TERTIARY	
CRETACEOUS	(Wedge on Shelf)							
TRIASSIC	DOCKUM	DOCKUM	CHINLE	CHINLE	DOCKUM	DOCKUM	TRIASSIC	
			Santa Rosa	Santa Rosa				Dawey Lake
PERMIAN	OCHOAN	SALADO	Rustler	Rustler	SALADO	OCHOAN	PERMIAN	
			"Salt"	"Salt & Anhydrite"				CASTILE
	GUADALUPIAN	ARTESIA GROUP CHALK BLUFF WHITEHORSE	TANSILL		BELL CANYON	DELAWARE MOUNTAIN		GUADALUPIAN
			YATES					
			SEVEN RIVERS		CHERRY CANYON			
			QUEEN					
			GRAYBURG		BUSHY CANYON			
	LEONARDIAN	YESO	N.D.	GLORIETA	Cutoff Shale	BONE SPRINGS		LEONARDIAN
				PADDOCK	1st Sand			
				BLINEBRY	2nd Sand			
TUBB								
DRINKARD								
ABO								
WOLF-CAMP	"HUECO"	WOLF-CAMP		"HUECO"	WOLF-CAMP			
PENNSYLVANIAN	VIRGIL	CISCO	CISCO		CISCO	VIRGIL		
			MISSOURI	UNDEFINED	CANYON	MISSOURI		
			DES MOINES	UNDEFINED	STRAWN	DES MOINES		
			ATOKA	UNDEFINED	ATOKA	ATOKA		
			MORROW	UNDEFINED	MORROW	MORROW		
MISSISSIPPIAN	CHESTER	N.D.	Barnett Sh.	Barnett Sh.	CHESTER	MISSISSIPPIAN		
			MISS. LS.	MISS. LS.			ND	MERAMEC
			OSAGE	Woodford Sh.			Woodford Sh.	Percha
DEVONIAN	N.D.	N.D.	DEVONIAN	DEVONIAN	N.D.	DEVONIAN		
SILURIAN	NIAGARAN	FUSSELLMAN	FUSSELLMAN	NIAGARAN	SILURIAN			
ORDOVICIAN	UPPER	N.D.	MONTOYA	MONTOYA	N.D.	UPPER		
			MCKEE	MCKEE				
	MIDDLE	SIMPSON	WADDELL	WADDELL	SIMPSON	MIDDLE		
			CONNELL	CONNELL				
LOWER	ELLENBURGER	ELLENBURGER	ELLENBURGER	LOWER				
GRANITE WASH				GRANITE WASH				
PRE-CAMBRIAN								

160 gpa
320 gpa



QUATERNARY

TERTIARY

CRETACEOUS

JURASSIC

TRIASSIC

PERMIAN

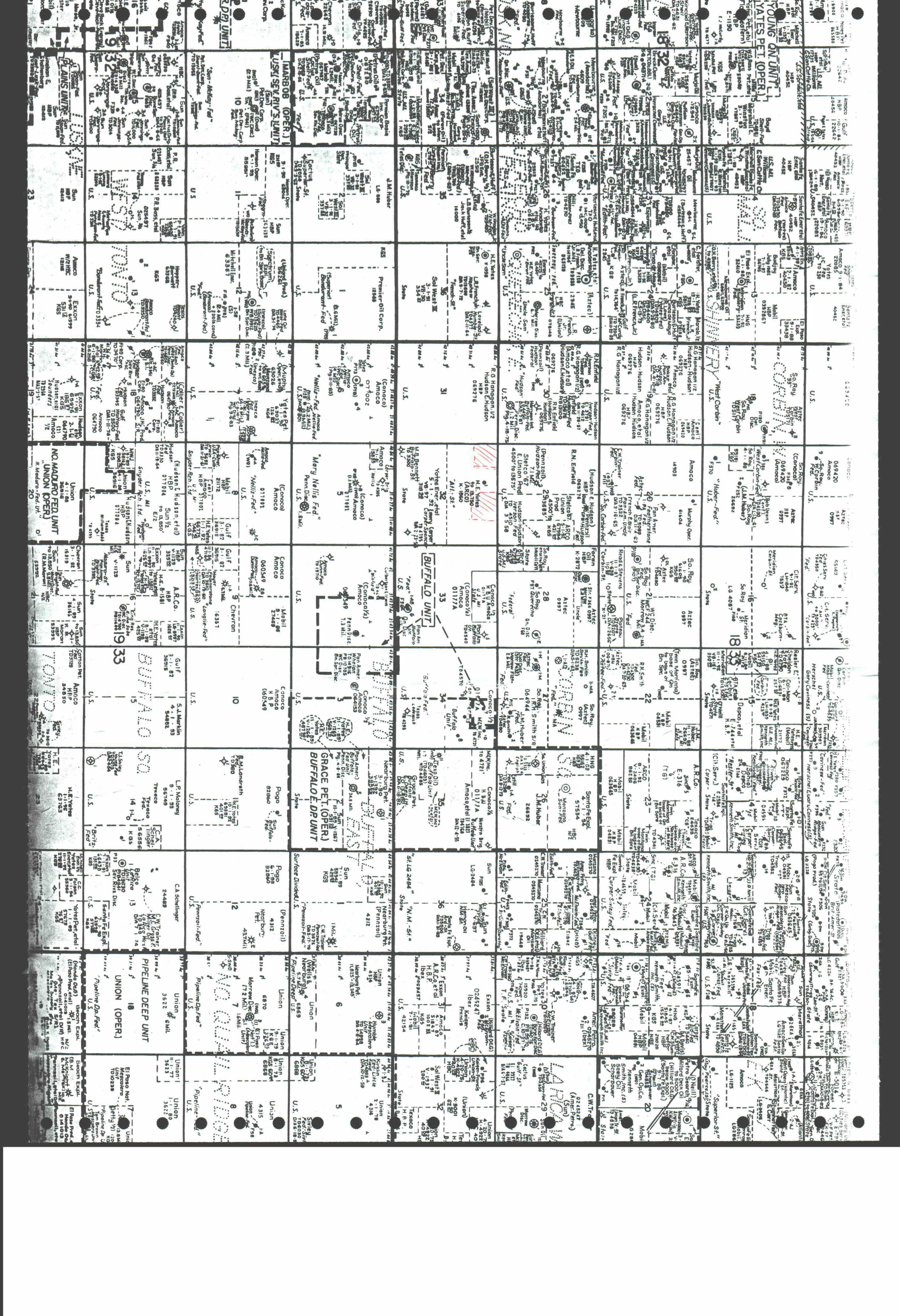
CARBONIFEROUS

DEVONIAN

SILURIAN

ORDOVICIAN

CAMBRIAN



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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF HARVEY E. YATES
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 10365
Order No. R-9579

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 8 and September 5, 1991, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this _____ day of September, 1991, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 10364 and 10365 were consolidated at the time of the August 8th hearing for the purpose of testimony.

(3) The applicant, Harvey E. Yates Company, seeks an order pooling all mineral interests from the surface to the base of the Grayburg formation underlying the NW/4 NE/4 (Unit B) of Section 32, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Buffalo-Yates Pool and Undesignated Buffalo-Queen Pool. Said unit to be dedicated to the applicant's proposed Atlantic State "32" Well No. 4 to be drilled at a standard oil well location thereon.

m.s. 9/5/91
LS
7-5-91
WSE 9/4/91

(4) The applicant has the right to drill and proposes to drill its Atlantic State "32" Well No. 4 at a standard oil well location within the NW/4 NE/4 (Unit B) of said Section 32.

(5) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(6) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) The applicant should be designated the operator of the subject well and unit.

(8) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(9) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(11) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(12) \$4000.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) All proceeds from production from the subject well which

are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(14) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before December 15, 1991, the order pooling said unit should become null and void and of no effect whatsoever.

(15) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Grayburg formation underlying the NW/4 NE/4 (Unit B) of Section 32, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, are hereby pooled forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Buffalo-Yates Pool and Undesignated Buffalo-Queen Pool. Said unit shall be dedicated to the applicant's proposed Atlantic State "32" Well No. 4 to be drilled at a standard oil well location within the NW/4 NE/4 (Unit B) of said Section 32.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of December, 1991, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Grayburg formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of December, 1991, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Harvey E. Yates Company is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days

prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$4000.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for

supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L