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AREA CODE 505

August 28, 1990

HAND-DELIVERED

Mr. William J. LeMay, Director  
New Mexico Oil Conservation Division  
State Land Office Building  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

Re: Compulsory Pooling Application  
Thornbush Federal #2 Well, SW/4 SW/4  
Section 1, Township 18 South, Range 31 East,  
N.M.P.M., Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed please find, in triplicate, Yates Energy Corporation's Application for Compulsory Pooling for its Thornbush Federal #2.

Very truly yours,

  
Ernest L. Padilla

ELP/mg

cc w/encl: Yates Energy Corporation

|                           |
|---------------------------|
| BEFORE EXAMINER CATANACH  |
| OIL CONSERVATION DIVISION |
| <i>Yates Energy</i> 9     |
| CASE NO. 10090            |

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION )  
OF YATES ENERGY CORPORATION FOR )  
COMPULSORY POOLING, EDDY COUNTY, )  
NEW MEXICO )  
\_\_\_\_\_ )

CASE NO. \_\_\_\_\_

APPLICATION

COMES NOW, YATES ENERGY CORPORATION, by and through its attorneys, Padilla & Snyder, Attorneys At Law and in support hereof, respectfully states:

1. Applicant has the right to drill its Thornbush Federal #2 Well to test the Bone Spring Formation as an oil well, which is to be located at a standard location in the SW/4 SW/4, Section 1, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the SW/4 SW/4 of said Section 1 to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. To avoid the drilling of unnecessary wells, to protect correlative rights 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 oil in said unit, all mineral interests, whatever they may be, from the surface to the base of the Bone Spring Formation underlying the SW/4 SW/4 of said Section 1 should be pooled.

5. That any non-consenting working interest owner that 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% thereof as a reasonable charge for the risk involved in the drilling of the well. .

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing, the Division enter its order pooling all mineral interest, whatever they may be, from the surface to the base of the Bone Spring Formation underlying the SW/4 SW/4 of said Section 1, Township 18 South, Range 31 East,

N.M.P.M., Eddy County, New Mexico, to form a 40-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES ENERGY CORPORATION

BY: 

Ernest L. Padilla

PADILLA & SNYDER  
P. O. Box 2523  
Santa Fe, New Mexico 87504-2523

Attorneys for Applicant

August 28, 1990

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL NON-CONSENTING WORKING INTEREST OWNERS (See attached list)

RE: Notice of Application For Compulsory Pooling, Thornbush Federal #2 Well, Eddy County, New Mexico

PURSUANT to the Rules and Regulations of the General Rules of the Oil Conservation Division of New Mexico, notice is hereby given of the above-referenced application. You may protest the enclosed application by appearing at the hearing of this application which will be heard on September 19, 1990, beginning at the hour of 8:15 a.m., at the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico.

Very truly yours,

Ernest L. Padilla

ELP:pmc

Enclosure: Copy of Application  
List of Non-Consenting Working Interest Owners

PARTIES FOR NOTICES PURPOSES:

Chevron U.S.A., Inc.  
Post Office Box 1150  
Midland, Texas 79702

Explorers Petroleum Corporation  
Post Office Box 1933  
Roswell, New Mexico 88202

Spiral, Inc.  
Post Office Box 1933  
Roswell, New Mexico 88202

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

|  |   |
|--|---|
| 3. Article Addressed to:<br><i>Chesson, U.S. Ag Inc<br/>P.O. Box 1150<br/>Midland, Texas 79702</i> | 4. Article Number<br><i>P438.031.751</i>  |
|  | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .                          |   |
| 5. Signature - Address<br>X  | 8. Addressee's Address (ONLY if requested and fee paid)   |
| 6. Signature - Agent<br>X <i>[Signature]</i>   |   |
| 7. Date of Delivery<br><i>SEP 4 1990</i>   |   |

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

|   |   |
|---|---|
| 3. Article Addressed to:<br><i>Explorers Petroleum Corp.<br/>Post office Box 1933<br/>Roswell, NM 88202</i> | 4. Article Number<br><i>P438.031.750</i>  |
|   | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .                                   |   |
| 5. Signature - Address<br>X   | 8. Addressee's Address (ONLY if requested and fee paid)   |
| 6. Signature - Agent<br>X <i>[Signature]</i>  |   |
| 7. Date of Delivery<br><i>8-31-90</i>   |   |

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
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1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

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| 3. Article Addressed to:<br><i>Spiral, Inc.<br/>Post office Box 1933<br/>Roswell, NM 88202</i> | 4. Article Number<br><i>P561 858 807</i>  |
|  | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .                      |   |
| 5. Signature - Address<br>X  | 8. Addressee's Address (ONLY if requested and fee paid)   |
| 6. Signature - Agent<br>X <i>[Signature]</i>   |   |
| 7. Date of Delivery<br><i>8-31-90</i>  |   |

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