

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

IN THE MATTER OF THE APPLICATION :
OF YATES PETROLEUM CORPORATION :
FOR COMPULSORY POOLING AND AN :
UNORTHODOX WELL LOCATION, CHAVES :
COUNTY, NEW MEXICO :

CASE NO. 112-7

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of the following described lands in Chaves County, New Mexico:

Township 9 South, Range 26 East, N.M.P.M.

Section 29: N/2

containing 320 acres, more or less,

and proposes to drill its Rolla "TC" No. 2 Well at a location 1,980 feet from the north line and 2,310 feet from the east line (Unit G) of said Section 29 to a depth sufficient to test all formations from the surface down to the base of the Ordovician formation, at approximately 6,200 feet.

2. The proposed location for Applicant's well is an orthodox location for all formations which may be developed on 320-acre spacing and an unorthodox location for all formations which may be developed on 160-acre spacing. The Applicant seeks an exception to the well location requirements of Rule 104 of the

Oil Conservation Division to permit the drilling of the well at the above-mentioned unorthodox location for all formations which may be developed on 160-acre spacing.

3. A standard 320-acre proration unit comprising the N/2 of said Section 29 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of oil and gas from any formation developed on 320-acre spacing; a standard 160-acre proration unit comprising the NE/4 of said Section 29 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of oil and gas from any formation developed on 160-acre spacing; and a standard 40-acre proration unit comprising the SW/4 NE/4 of said Section 29 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of oil and gas from any formation developed on 40-acre spacing.

4. There is an interest owner in the unit who has not agreed to pool its interest.

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

6. 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, its just and fair share of the oil and gas in said unit, all mineral interests, whatever they may be, should be pooled.

7. That any non-consenting working interest owner that does not pay its share of estimated well costs should have withheld from production its 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.

8. 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.

9. The approval of this Application will afford Applicant the opportunity to produce its just and equitable share of oil and gas, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant prays:

A. That this Application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order granting Applicant permission to drill its well at a point 1,980 feet from the north line and 2,310 feet from the east line of said Section 29, and to dedicate NE/4 of said Section 29 to said well for production from all formations which may be developed on 160-acre spacing.

C. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface down to the base of the Ordovician formation, underlying N/2 Section 29, Township 9 South, Range 26 East, N.M.P.M., Chaves County, New Mexico, as to all formations which may be developed on 320-acre spacing; in all formations which may be developed on 160-acre spacing underlying NE/4 of said Section 29; and in all formations which may be developed on 40-acre spacing underlying SW/4 NE/4 of said Section 29, or such lesser portion as may be productive of oil and gas and dedicated to Applicant's well.

D. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

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