

Stogner, Michael, EMNRD

From: Stogner, Michael, EMNRD

Sent: Thu 9/21/2006 10:27 AM

To: tonyk@ypcnm.com

Cc:

Subject: 30-015-31833

Attachments:

Per our telephone conversation a few minutes ago; you are sending me information about the two offsetting affected leases NM-065108 and NM-064073 and the agreement in place for shallow oil production from the Millennium "34" Fed. Com. #1. Thanks.

 Attachments can contain viruses that may harm your computer. Attachments may not display correctly.

Stogner, Michael, EMNRD

From: Tony Krakauskas [tonyk@YPCNM.COM] **Sent:** Thu 9/21/2006 11:20 AM
To: Stogner, Michael, EMNRD
Cc:
Subject: RE: 30-015-31833
Attachments:  [OCD Millennium Letter.doc\(45KB\)](#)

Michael:

See attached letter explaining ownership under the Millennium well.

Tony Krakauskas, CPL

Yates Drilling Company

105 South Fourth St.

Artesia, NM 88210

505-748-8642 office

505-748-8670 fax

tonyk@ypcnm.com

-----Original Message-----

From: Stogner, Michael, EMNRD [mailto:michael.stogner@state.nm.us]
Sent: Thursday, September 21, 2006 10:27 AM
To: Tony Krakauskas
Subject: 30-015-31833

Per our telephone conversation a few minutes ago; you are sending me information about the two offsetting affected leases NM-065108 and NM-064073 and the agreement in place for shallow oil production from the Millennium "34" Fed. Com. #1. Thanks.

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YATES DRILLING COMPANY

105 SOUTH FOURTH ST.
ARTESIA, NEW MEXICO 88210
505-748-8462 office 505-748-8670 fax

September 21, 2006

Mr. Michael Stogner
New Mexico Oil Conservation Division
1220 South Saint Francis Dr.
Santa Fe, NM 87505

VIA E-MAIL

RE: Application for Unorthodox Location
Millennium "34" Federal #1
(Bone Spring Re-Completion)
SW/4SW/4 Section 34, T17S-R29E
Eddy Co., NM

Dear Mr. Stogner:

In connection with your request for clarification of offsetting lease ownership relating to the Yates Drilling Company's request for administrative approval for unorthodox bottom-hole location for the captioned well and lands, I have set out below such ownership:

CONTRACTUAL OWNERSHIP

JOA dated effective June 11, 2001 covering the W/2 of Section 34, T17S-R29E, Eddy Co., NM, as to all rights below the top of the Abo Formation at 6,119' sub-surface, owned as follows:

Yates Drilling Company (YDC):	80.00%
Marbob Energy Corporation (Marbob):	20.00%

LEASES CONTRIBUTED TO JOA & OWNERSHIP

1. NMLC-069147
NE/4NW/4
40.00 acres
Operating Rights (JOA depths)
YDC: 80.00%
Marbob: 20.00%
2. NMNM-21888
E/2SW/4
80.00 acres
Operating Rights (JOA depths)
YDC: 80.00%
Marbob: 20.00%

Mr. Michael Stogner
New Mexico Oil Conservation Division
September 21, 2006
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3. NMNM-96219
SW/4SW/4
40.00 acres
Record Title (all depths)
Marbob: 100.00%
4. NMLC-064073
SE/4NW/4
40.00 acres
Record Title (all depths)
YDC: 100.00%
5. NMLC-065108
W/2NW4, NW/4SW/4
120.00 acres
Record Title (all depths)
YDC: 100.00%

Ownership under the W/2 JOA lands was determined by record title ownership as contributed under leases 3, 4 & 5 with YDC contributing 160/200 acres = 80.00% and Marbob contributing 40/200 acres = 20.00%. Both parties shared the farmout interest of leases 1 & 2 on an 80% 20% basis.

The Bone Spring re-completion provides for 40.00 acre spacing covering the SW/4SW/4 of Section 34. With the original 320.00 acre spacing covering the W/2, the JOA (contractual) ownership of the well and 40.00 acre spacing remains YDC 80.00% and Marbob 20.00%.

I may be contacted at (505) 748-8642 should you have any questions.

Sincerely,

YATES DRILLING COMPANY

Tony Krakauskas, CPL
Land Manager