

HOLLAND & HART^{LLP}



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March 29, 2005

HAND-DELIVERED

Mark E. Fesmire, Director
Oil Conservation Division
New Mexico Energy, Minerals &
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 13478

2005 MAR 29 PM 3 13

Re: Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is an Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Yates respectfully requests that this matter be placed on the docket for the April 21, 2005 Examiner hearings.

Your attention to this request is appreciated.

Very truly yours,

Ocean Munds-Dry

Ocean Munds-Dry
Attorney for Yates Petroleum Corporation

Enclosures

cc: Janet Richardson

Holland & Hart^{LLP}

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

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

CASE NO. 313478

2005 MAR 29 PM 3 13

APPLICATION

Yates Petroleum Corporation (“Yates”), through its undersigned attorneys, hereby makes application for an order pooling all uncommitted interests in all formations from the surface to the base of the Morrow formation under the following acreage in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico:

- the N/2 to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent which presently includes but is not necessarily limited to the Burton Flat-Morrow Gas Pool, the Crozier Bluff-Atoka Gas Pool, and the Northeast Happy Valley-Strawn Gas Pool; and
- the NE/4 to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent; and

In support of its application Yates states:

1. Yates is a working interest owner in the N/2 of Section 25 and has the right to drill thereon.

2. Yates proposes to dedicate the above-referenced spacing units and proration units to its proposed Louise "AYI" Well No. 2 (API 30-015-33938), to be drilled as a wildcat well at a standard location in the NW/4 NE/4 (Unit B) of said Section 25 at a point 990 from the North line and 1550 feet from the East line to a depth sufficient to test all formations through the Morrow formation.

3. By letters dated January 12, 2001, October 10, 2002, and September 27, 2004, Yates has offered to lease the mineral interest held by the State Game Commission comprised of 87 acres in the S/2 NW/4 and part of the W/2 of SW/4 NE/4 in Section 25 Township 21 South Range 26 East, NMPM, Eddy County, New Mexico. Yates has been unable to obtain a voluntary agreement for the development of these mineral interests from the State Game Commission.

4. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Yates the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests should be pooled, and Yates should be designated operator of the proposed well.

WHEREFORE, Yates requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 21, 2005, and that after notice and hearing as required by law the Division enter its order:

- A. pooling all uncommitted interests in the subject spacing and proration units;
- B. designating Yates operator of the units and the proposed well;

- C. authorizing Yates to recover its costs of drilling, equipping and completing this well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion of this well, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in this project.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry

William F. Carr
Ocean Munds-Dry
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Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM CORP.

**IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.
(Louise "AYI" Well No. 2)**

EXHIBIT A

Notice List

New Mexico State Game Commission
P.O. Box 25112
Santa Fe, New Mexico 87504

CASE 13478:

In the Matter of the Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation under the following acreage in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico: the N/2 to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently includes but is not necessarily limited to the Burton Flat-Morrow Gas Pool, the Crozier Bluff-Atoka Gas Pool, and the Northeast Happy Valley-Strawn Gas Pool; and the NE/4 to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent. These spacing and proration units are to be dedicated to the Louise "AYI" Well No. 2 located 990 feet from the North line and 1550 feet from the East line of Section 25 which Yates proposes to drill at a standard location in the Morrow formation. Also to be considered will be the cost of drilling and completion of said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1/2 mile north of Carlsbad, New Mexico.



March 29, 2005

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED

Re: Application of Yates Petroleum Corporation for compulsory pooling,
Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests under the following acreage in Section 25, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico: the N/2 to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently includes but is not necessarily limited to the Burton Flat-Morrow Gas Pool, the Crozier Bluff-Atoka Gas Pool, and the Northeast Happy Valley-Strawn Gas Pool; and the NE/4 to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent. Applicant proposes to dedicate the pooled units to its Louise "AYI" Well No. 2 to be drilled at a standard gas well location 990 feet from the North line and 1550 feet from the East line of said Section 25.

This application has been set for hearing before a Division Examiner on April 21, 2005. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement at the Santa Fe Office of the Oil Conservation Division located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. Unless you declare in this Pre-Hearing Statement your intention to oppose the



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the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. Unless you declare in this Pre-Hearing Statement your intention to oppose the imposition of a 200% risk penalty against any interest not voluntarily committed to this spacing unit, Yates will request that this penalty be imposed by the order that results from this hearing without the presentation of evidence in support thereof.

Very truly yours,

Ocean Munds-Dry
Ocean Munds-Dry
Attorney for Yates Petroleum Corp

Enclosure