



April 11, 2006

**HAND DELIVERED**

Mark E. Fesmire, P. E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 13708*

2006 APR 11 PM 4 58

Re: Application of Yates Drilling Company for Compulsory Pooling, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Yates Drilling Company in the above-referenced case as well as a copy of the legal advertisement. Yates Drilling Company requests that this matter be placed on the docket for the May 11, 2006 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Tony Krakauskas  
Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210

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

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

CASE NO. 1378

**APPLICATION**

YATES DRILLING COMPANY, ("Yates") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the E/2 of Section 24, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Red Lake-Atoka-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing, and support of its application states:

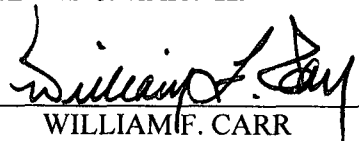
1. Yates Drilling Company is a working interest owner in the E/2 of said Section 24 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing or proration units to its Wisetail State Com Well No. 1 to be drilled at a standard gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of said Section 24, to an approximate depth sufficient to test any and all formations from the surface to the base of the Morrow formation.
3. Yates has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing units who are identified on Exhibit A to this application.
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 the Yates to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Yates Drilling Company should be designated the operator of the well to be drilled.

WHEREFORE, Yates Drilling Company requests this application be set for hearing before a Division Examiner on May 11, 2006 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Yates Drilling Company operator of these units and the well to be drilled thereon,
- C. authorizing Yates Drilling Company to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Yates Drilling Company in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,  
HOLLAND & HART LLP

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

ATTORNEYS FOR YATES DRILLING COMPANY

**EXHIBIT A**

**APPLICATION OF  
YATES DRILLING COMPANY.  
FOR COMPULSORY POOLING  
E/2 OF SECTION 24, TOWNSHIP 18 SOUTH, RANGE 27 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

Scott E. Wilson  
4601 Mirador Drive  
Austin, Texas 78735-1554

Todd M. Wilson  
3608 South County Road 1184  
Midland, Texas 79706-6468

Richard C. Barr  
206 Swede Creek  
Boerne, Texas 78006

Marathon Oil Company  
Post Office Box 3487  
Houston, Texas 77253-3487

CASE 13708:

**Application of Yates Drilling Company 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 in the following described spacing and proration units located in the E/2 of Section 24, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Red Lake-Atoka-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing. Said units are to be dedicated to its Wisetail State Com Well No. 1 to be drilled at a standard gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Yates Drilling Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 12 miles southeast of Artesia, New Mexico.