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May 9, 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

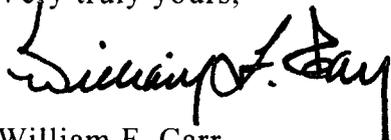
*Case 13722*

Re: Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the legal advertisement. Yates Petroleum Corporation requests that this matter be placed on the docket for the June 8, 2006 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Ms. Janet Richardson  
Yates Petroleum Corporation  
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 PETROLEUM CORPORATION  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.**

2006  
CASE NO. 13722

**APPLICATION**

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YATES PETROLEUM CORPORATION, ("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 N/2 of Section 23, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Burton Flat-Morrow Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and the NW/4 NW/4 for all formations and/or pools developed on 40-acre spacing and support of its application states:

1. Yates Petroleum Corporation is a working interest owner in the N/2 of said Section 23 and has the right to drill thereon.

2. Yates proposes to dedicate the above-referenced spacing or proration units to its South Avalon "AUA" Com. Well No. 1 that has been drilled at a standard gas well location 660 feet from the North and West lines (Unit D) of said Section 23 to an approximate depth of 11,300 feet to test any and all formations from the surface to the base of the Morrow.

3. Yates has sought and been unable to locate 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 Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 8, 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 Petroleum Corporation operator of these units and the well to be

- drilled thereon,
- C. authorizing Yates Petroleum Corporation 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 Petroleum Corporation 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 PETROLEUM CORPORATION

**EXHIBIT A**

**APPLICATION OF  
YATES PETROLEUM CORPORATION.  
FOR COMPULSORY POOLING  
N/2 OF SECTION 23, TOWNSHIP 21 SOUTH, RANGE 26 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

Pearl C. Colony and Lizzie G. Colony, his wife

Albert Lang

Lizzie M. Stephenson, as her sole property

Alma Green, as her sole property

William Heckman, as his sole property

CASE 13722:

**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 in the following described spacing and proration units located in the N/2 of Section 23, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Burton Flat-Morrow Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and the NW/4 NW/4 for all formations and/or pools developed on 40-acre spacing. Said units are to be dedicated to its South Avalon "AUA" Com. Well No. 1 that has been drilled at a standard gas well location 660 feet from the North and West lines (Unit D) of said Section 23 to an approximate depth of 11,300 feet to test any and all formations from the surface to the base of the Morrow. 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 Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 1 mile north of the northern city limits of Carlsbad, New Mexico.