

HOLLAND & HART<sup>LLP</sup>



Ocean Munds-Dry  
omundsdry@hollandhart.com

December 11, 2007

**VIA HAND DELIVERY**

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

*Case 14058*

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

Dear Mr. Fesmire:

Enclosed is the application of Yates Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Yates requests that this matter be placed on the docket for the January 10, 2008 Examiner hearings.

Sincerely yours,

Ocean Munds-Dry  
**ATTORNEYS FOR  
YATES PETROLEUM CORPORATION**

cc: Mr. Robert Bullock

Holland & Hart<sup>LLP</sup>

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

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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,  
LEA COUNTY, NEW MEXICO**

CASE NO.: 14058

**APPLICATION**

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 (2007), for an order pooling all mineral interests from the surface to the base of the Bone Spring formation in the following described spacing and proration units located in the SE/4 SE/4 of Section 30, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico: the SE/4 SE/4 for all formations and/or pools developed on 40-acre spacing within this vertical extent including the Undesignated East Livingston Ridge-Delaware Pool and the Undesignated Southeast Livingston Ridge-Delaware Pool and in support of its application states:

1. Yates Petroleum Corporation is a working interest owner in said Section 30 and has the right to drill thereon.
2. Yates proposes to dedicate the above-referenced spacing or proration unit to its Amazing BAZ Federal Well No. 3 to be drilled from a location 330 feet from the South and East lines of Section 30, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico to an approximate depth of 8,600 feet to test any and all formations from the surface to the base of the Bone Spring formation.

3. Yates has sought and been unable to gain the voluntary participation of certain interest owners in the subject spacing unit who is 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 January 10, 2008 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: Ocean Munds-Dry

WILLIAM F. CARR  
OCEAN MUNDS-DRY  
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  
SE/4 SE/4 OF S 30, TOWNSHIP 22 S, RANGE 32 E, N.M.P.M.  
LEA COUNTY, NEW MEXICO.**

Texas Independent Exploration Inc.  
1600 Smith, suite 3800  
Houston, TX 77002

OXY USA WTP Limited Partnership  
6 Desta Drive, Suite 600  
Midland, TX 79705

**CASE 14058:**      **Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation in the following described spacing and proration units located in the SE/4 SE/4 of Section 30, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico: the SE/4 SE/4 for all formations and/or pools developed on 40-acre spacing within this vertical extent including the Undesignated East Livingston Ridge-Delaware Pool and the Undesignated Southeast Livingston Ridge-Delaware Pool . Said unit is to be dedicated to its Amazing BAZ Federal Well No. 3 to be drilled at a location 330 feet from the South and East lines of Section 30, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico to an approximate depth of 8,600 feet to test any and all formations from the surface to the base of the Bone Spring formation. 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 25 miles west of Eunice, New Mexico.