

Bill Henry

Nearburg Producing Company

Exploration and Production
P.O. Box 823085
5447 Glen Lakes Drive
Dallas, Texas 75382-3085
214 739-1778
FAX 214-739 4819

Case 11170

November 9, 1994

Mr. Randy Patterson, Land Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Dear Randy:

Nearburg Exploration Company ("NEC") is in receipt of Yates Petroleum Corporation's letter dated October 7, 1994, proposing the drilling of the Tackitt "AOT" Well No. 1, SE/4 Section 28, T-19-S, R-25-E, Eddy County, New Mexico. As you know, Yates Petroleum Corporation ("Yates") is currently the operator of the Nearburg State "K" #2 well, which Yates has chosen to rename the Tackitt "AOT" #2 well. NEC has 100% working interest in the Tackitt "AOT" #2 well by virtue of its taking the sole risk and expense of drilling this well, and has received a 300% non-consent penalty from the non-consenting owners. Yates is the successor to one of these non-consent interests. Yates has no cost in this well, is receiving operating overhead, and will receive its 50% working interest when the 300% non-consent penalty is paid out.

It is our opinion that any other well to be drilled in the SE/4 of Section 28 is not validly proposed unless it receives the unanimous consent of all parties. If such a well is drilled, it is our position that its production should under no circumstances exceed the difference between the 160-acre allowable production and the production rate which the Tackitt "AOT" #2 is capable of producing after modifications to GPM's pipeline system. At the current time, the Tackitt "AOT" #2 is producing approximately 90 barrels of oil and 6200 MCFPD of gas, and with the completion of GPM's compressor facility upgrade, the well will be able to produce the full 7,000 MCFPD allowable for this 160-acre unit.

Any attempt to reduce the production from the Tackitt "AOT" #2 well to increase production from any other well drilled in this quarter section without NEC's consent would be considered a violation of our correlative rights and a definite attempt to reduce the reserves we are legally allowed to recover from the well. We would appreciate a response from Yates detailing how Yates intends to produce both the wells if a second well is ultimately drilled and completed.

Our taking the risk of drilling the Tackitt "AOT" #2 well has benefitted Yates, as it has provided excellent geological information to support the drilling of the offset wells. Yates has already drilled two direct offsets to the Tackitt "AOT" #2 as a result of our having taken the initial risk. We feel that Yates has more than adequately benefitted by our taking this risk and does not need to try to take further advantage of the situation by contravening the Operating Agreement and thereby inhibiting our ability to recover reserves we have rightfully earned under the Operating Agreement.



LTR



Job separation sheet

CASE 11169: Application of Conoco Inc. for pool creation, special pool rules and the assignment of a discovery allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Tubb and Drinkard formations to comprise the SW/4 NE/4, the S/2 NW/4, the N/2 SW/4, and the NW/4 SE/4 of Section 36, Township 20 South, Range 37 East, and the promulgation of special rules therefor including a provision for a gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil. Applicant further seeks the assignment of an oil discovery allowable, pursuant to Division General Rule 509, to its Hardy "36" State Well No. 3, located 2080 feet from the North line and 1730 feet from the East line (Unit G) of said Section 36. Said area is located approximately 4 miles northeast of Oil Center, New Mexico.

CASE 11170: Application of Nearburg Producing Company to rescind approval of Yates Petroleum Corporation's application for permit to drill its Tackitt "AOT" Well No. 1, in Section 28, Township 19 South, Range 25 East, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order from the Division rescinding approval of Yates Petroleum Corporation's Form C-101, "Application for Permit to Drill" ("APD"), filed in the Artesia District Office of the Division on its Tackitt "AOT" Well No. 1, to be drilled at a standard oil well location in the Undesignated North Dagger Draw-Upper Pennsylvanian Pool, 1650 feet from the South line and 990 feet from the East line (Unit P) of Section 28, Township 19 South, Range 25 East, being approximately 6 miles west of Lakewood, New Mexico.

CASE 11171: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) CREATE a new pool in Rio Arriba County, New Mexico, classified as a gas pool for Pictured Cliffs production and designated as the Bancos-Pictured Cliffs Pool. The discovery well is the Schalk Development Company Schalk 62 Well No. 3 located in Unit P of Section 33, Township 32 North, Range 5 West, NMPM. Said pool would comprise:

TOWNSHIP 32 NORTH, RANGE 5 WEST, NMPM
Section 33: SE/4

- (b) CREATE a new pool in Rio Arriba County, New Mexico, classified as a gas pool for Chacra production and designated as the Gavilan-Chacra Pool. The discovery well is the Southland Royalty Company Ojito Well No. 1 located in Unit M of Section 16, Township 26 North, Range 2 West, NMPM. Said pool would comprise:

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
Section 16: SW/4

- (c) EXTEND the Bisti-Chacra Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 9 WEST, NMPM
Section 1: SE/4

- (d) EXTEND the Blanco-Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
Section 2: All
Section 3: All

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM
Section 20: SE/4
Section 29: E/2

- (e) EXTEND the Blanco-Pictured Cliffs Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM
Section 6: All

TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM
Section 1: All
Section 2: NE/4

TOWNSHIP 32 NORTH, RANGE 9 WEST, NMPM
Section 31: S/2

TOWNSHIP 32 NORTH, RANGE 10 WEST, NMPM

Section 24: E/2
Section 25: S/2 and NE/4
Section 26: S/2
Section 35: All
Section 36: All

- (f) EXTEND the Fulcher Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 11 WEST, NMPM

Section 2: NE/4

- (g) EXTEND the Gavilan-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Section 13: All
Section 24: N/2

- (h) EXTEND the Rosa-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM

Section 15: SW/4
Section 21: N/2
Section 22: S/2 and NW/4
Section 23: SW/4
Section 26: All
Section 35: NE/4
Section 36: N/2