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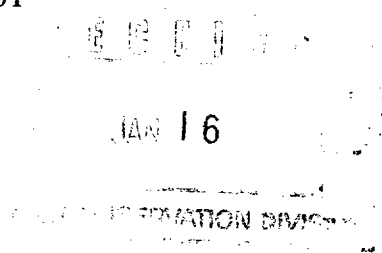
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January 16, 2001

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504



Re: Application of Yates Petroleum Corporation for Compulsory Pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico.

Dear Ms. Wrotenbery:

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 case be placed on the docket for the February 8, 2001 Examiner hearings.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr".

William F. Carr

Enclosures

cc: Mr. Randy Patterson (w/enclosures)
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 AND
A NON-STANDARD GAS SPACING
AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12590

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations from the surface to the base of the Mississippian formation in Lots 1 through 8 (N/2 equivalent), Section 3, Township 16 South, Range 35 East, NMPM, to form a non-standard 355.80-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Shoe Bar-Atoka Gas Pool and the Undesignated North Shoe Bar-Morrow Gas Pool, and in support of its application states:

1. Yates is a working interest owner in the acreage to be pooled in said Section 3 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration units to its Daisy AFS State Well No. 2 to be drilled at a standard location 660 feet from the North

and East lines of said Section 3 to a depth sufficient to test any and all formations from the surface to the base of the Mississippian formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from the interest owners in Lots 1 through 8 of Section 3 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 Applicant 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.

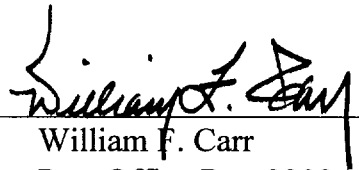
WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 8, 2001, and, after notice and hearing as required by law, the Division enter its order:

- 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 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 the Applicant 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
AND
CAMPBELL & CARR

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
LOTS 1 THROUGH 8 OF SECTION 3,
TOWNSHIP 16 SOUTH, RANGE 35 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO**

Ocean Energy Resources, Inc.
1001 Fannin, Suite 1600
Houston, Texas 77002-6794

Tom R. Cone
Post Office Box 778
Jay, Oklahoma 74346

Kenneth G. Cone
Post Office Box 11310
Midland, Texas 79702

Kenneth G. Cone, Trustee
Kenneth G. Cone Children's Trust
Post Office Box 11310
Midland, Texas 79702

Marilyn Cone, Trustee of the
DC Trust
Post Office Drawer 1629
Lovington, New Mexico 88260

Keith Pratt Daniels
Post Office Box 190766
Dallas, Texas 75219

Lynda Pratt Rast
1202 Marlee Lane
Arlington, Texas 76014

Phillip L. White
The Blanco Company
Post Office Box 2168
Santa Fe, New Mexico 87504-2168

The Long Trusts
Post Office Box 3096
Kilgore, Texas 75663

LWJ Partnership
Post Office Box 64244
Lubbock, Texas 79424

CASE 12590

Application of Yates Petroleum Corporation for compulsory pooling, and a non-standard gas spacing and proration unit, 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 Lots 1 through 8 (N/2 Equivalent) of Irregular Section 3, Township 16 South, Range 35 East to form a non-standard 355.80-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Shoe Bar-Atoka Gas Pool and the Undesignated North Shoe Bar-Morrow Gas Pool. Said unit is to be dedicated to Yates Daisy AFS State Well No. 2 to be drilled at a standard location 660 feet from the North and East lines of said Section 3 to a depth sufficient to test all formations from the surface to the base of the Mississippian 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 approximately 6 miles west-northwest of Lovington, New Mexico.

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January 18, 2001

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

AFFECTED INTEREST OWNERS

Re: Application of Yates Petroleum Corporation for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico.

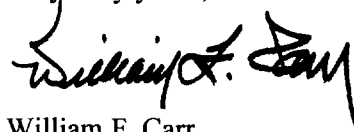
Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of all 320-acre spacing and proration units comprised of Lots 1 through 8 (N/2 Equivalent) of Irregular Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. Said units will be dedicated to the Yates Petroleum Corporation Daisy AFS State Well No. 2 which it proposes to drill at a standard location 660 feet from the North and East lines of said Section 3 to test all formations from the surface to the base of the Mississippian formation.

This application has been set for hearing before a Division Examiner on February 8, 2001. 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 Prehearing Statement 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.

Very truly yours,



William F. Carr
ATTORNEY FOR YATES
PETROLEUM CORPORATION

Enc.