

# HINKLE, COX, EATON, COFFIELD & HENSLEY

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PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY JR.  
STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
ROBERT P. TANNIN, JR.  
MARSHALL G. MARTIN  
OWEN M. LOPEZ  
DOUGLAS L. LUNSFORD  
JOHN J. KELLY  
NICHOLAS J. NOEDING  
\* CALDER EZZELL JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. McBRIDE  
JAMES J. WECHSLER  
NANCY S. CUSACK  
JEFFREY L. FORNACIARI  
JEFFREY D. HEWETT  
JAMES BRUCE  
JERRY F. SHACKELFORD\*  
JEFFREY W. HELLBERG\*  
ALBERT L. PITTS  
THOMAS M. HNASKO  
JOHN C. CHAMBERS\*  
GARY D. COMPTON\*  
MICHAEL A. GROSS  
THOMAS D. HAINES JR.  
GREGORY J. NIBERT  
DAVID T. MARKETTE\*  
MARK C. DOW

FRED W. SCHWENDIMANN  
JAMES M. HUDSON  
JEFFREY S. BARD\*  
REBECCA NICHOLS JOHNSON  
WILLIAM P. JOHNSON  
STANLEY K. KOTOVSKY JR.  
H. R. THOMAS  
ELLEN S. CASEY  
MARGARET CARTER LUDEWIG

S. BARRY PAISNER  
STEPHEN M. CRAMPTON  
MARTIN MEYERS  
GREGORY S. WHEELER  
ANDREW J. CLOUTIER  
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LISA K. SMITH\*  
ROBERT W. BETHA\*  
BRADLEY W. HOWARD  
CHARLES A. SUTTON  
NORMAN D. EWART  
DARREN T. GRACE\*  
MOLLY MCINTOSH  
MARCIA B. LINCOLN  
SCOTT A. SHUART\*  
DARREN L. BROOKS  
CHRISTINE E. LALE  
PAUL G. HASON  
DARLAM M. SILVA

ATTORNEYS AT LAW  
218 MONTEZUMA  
POST OFFICE BOX 2068  
SANTA FE, NEW MEXICO 87504-2068  
(505) 982-4554

FAX (505) 982-8623

CLARENCE E. HINKLE (1904-1985)  
W. E. BONDURANT, JR. (1913-1973)  
ROY C. SNODGRASS, JR. (1914-1987)

OF COUNSEL  
O. M. CALHOUN\*  
MACK EASLEY  
JOE W. WOOD  
RICHARD S. MORRIS

WASHINGTON, D.C.  
SPECIAL COUNSEL  
ALAN J. STATMAN\*

700 UNITED BANK PLAZA  
POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88202  
(505) 622-6510  
FAX (505) 623-9332

2800 CLAYDESTA CENTER  
6 DESTA DRIVE  
POST OFFICE BOX 3580  
MIDLAND, TEXAS 79702  
(915) 683-4691  
FAX (915) 683-6518

1700 TEAM BANK BUILDING  
POST OFFICE BOX 9238  
AMARILLO, TEXAS 79105  
(806) 372-5569  
FAX (806) 372-9761

500 MARQUETTE N.W., SUITE 800  
POST OFFICE BOX 2043  
ALBUQUERQUE, NEW MEXICO 87103  
(505) 768-1500  
FAX (505) 768-1529

\*NOT LICENSED IN NEW MEXICO

Florene Davidson  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87503

Dear Florene:

Please find enclosed the original and two copies of an Application, along with a proposed advertisement, on behalf of Nearburg Producing Company.

Very truly yours,

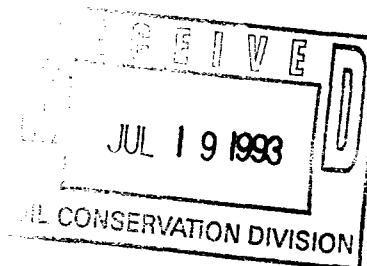
HINKLE, COX, EATON, COFFIELD  
& HENSLEY

*Fran Sowers*  
Fran Sowers, Secretary  
to James Bruce

Enclosures

VIA HAND DELIVERY

FRS5\93D15.c



LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL  
JOEL M. CARSON  
JAMES E. HAAS  
A. J. LOSEE  
—  
DEAN B. CROSS  
MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE  
(505) 746-3505  
TELECOPY  
(505) 746-6316

August 2, 1993

RECEIVED  
FBI  
AUG 11 1993

Mr. William J. LeMay, Director  
New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: In the Matter of the Application of Nearburg  
Producing Company for Compulsory Pooling,  
Eddy County, New Mexico; Case No. 10788

Dear Mr. LeMay:

Enclosed please find for filing in the above-referenced case an  
Entry of Appearance on behalf of Yates Petroleum Corporation.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.

  
Ernest L. Carroll

ELC:kth  
Enclosures

xc w/encl: Mr. James G. Bruce



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

September 22, 1993

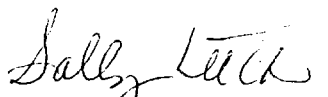
HINKLE, COX, EATON,  
COFFIELD & HENSLEY  
Attorneys at Law  
P. O. Box 2068  
Santa Fe, New Mexico 87501

RE: CASE NO. 107808  
ORDER NO. R-9964

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

  
Sally E. Leichtle  
Administrative Secretary

cc: BLM - Carlsbad  
Steve Keene  
Ernest Carroll

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

OIL CONSERVATION DIVISION

NOV 22 PM 9 46

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

November 18, 1993

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

*Catanach*

*DEC  
CASE FILE  
10788*

Nearburg Producing Company  
3300 North "A" Street  
Suite 8100  
Midland, Texas 79705

Attention: Mr. Bob Shelton

Re: Big Walt 2 State #2 Well  
Eddy County, New Mexico  
M-H Area

Dear Mr. Shelton:

By letter dated November 15, 1993 Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation advised you of our election to participate in drilling the captioned well and transmitted checks for the drilling costs of such well pursuant to New Mexico Oil Conservation Division Order R-9964. By letter dated November 16, 1993 you advised us that you consider our companies Non-Consent in this well and returned the checks for drilling costs.

This is to advise you that Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation reject your attempt to disallow our right to participate in the drilling of the captioned well. By copy of your November 16, 1993 letter and this letter, we are advising NMOCD of your refusal of our participation.

The estimated drilling costs totaling \$190,389.71, which you returned to us, are being placed in an escrow account in Western Bank, Artesia, New Mexico which will be paid to you upon your presentation of evidence of the expenditures for drilling the captioned well. A copy of the Escrow Agreement is enclosed for your reference.

Nearburg Producing Company  
November 18, 1993

Page 2

We further renew our request that you furnish information afforded to any working interest owner as the well is being drilled, including but not limited to building of location, spudding of the well, daily drilling reports, logs, etc. as requested in our November 15, 1993 letter and geological requirements, a copy of which is enclosed.

Thank you for your attention to this matter.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink, appearing to read "Randy G. Patterson", with a long horizontal line extending to the right.

Randy G. Patterson  
Land Manager

RGP/mw

Enclosure

cc: NMOCD - Bill LeMay  
State Land Office - Floyd Prando  
Ernie Carroll

### Escrow Agreement

THIS Escrow Agreement, dated this November 18<sup>th</sup>, 1993, is between YATES PETROLEUM CORPORATION, YATES DRILLING COMPANY, MYCO INDUSTRIES, INC., and ABO PETROLEUM CORPORATION, and WESTERN BANK, Artesia, New Mexico as "Escrow Agent" for the benefit of NEARBURG PRODUCING COMPANY, 3300 North "A" Street, Suite 8100, Midland, TX 79705,

Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation, contemporaneously with the execution of this agreement, are depositing with the Escrow Agreement \$190,389.71, which represents the estimated drilling costs for the Big Walt 2 State #2 Well, Eddy County, New Mexico, M-H Area. Western Bank is instructed as follows:

1. Upon presentation by Nearburg Producing Company of invoices for the costs of the drilling of the Big Walt 2 State #2 Well, Eddy County, New Mexico, or upon instruction of Yates Petroleum Corporation acting on behalf of Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation, the Escrow Agent shall pay over to Nearburg Producing Company such amounts of the total sum of money deposited herewith as represents Yates Petroleum Corporation's, Yates Drilling Company's, Myco Industries, Inc.'s and Abo Petroleum Corporation's proportionate share of the drilling costs of the Big Walt 2 State #2 Well. The Escrow Agent shall deliver the sums of money as invoiced or as directed by Yates Petroleum Corporation to Nearburg as soon as practicable after receiving the invoice or order to do same.

2. If Escrow Agent has not received invoices for the payment of said sums of money or received instructions by Yates Petroleum Corporation for the payment of said sums to Nearburg Producing Company within 120 days of the date hereof, all sums shall be payable at the direction of Yates Petroleum Corporation. Should there be any sums remaining after presentation of the invoices for the drilling of the Big Walt 2 State #2, such remaining sums after said period of time shall likewise be payable at the direction of Yates Petroleum Corporation.

3. The Escrow Agent shall place said sums in an interest-bearing account at the highest payable rate of interest being offered by said Escrow Agent for accounts of this kind.

4. The fee of the Escrow Agent for its services shall be \$ 0, payable at the time of execution of this agreement, to be borne by Yates Petroleum Corporation.

YATES PETROLEUM CORPORATION, YATES DRILL-  
ING COMPANY, MYCO INDUSTRIES, INC., and  
ABO PETROLEUM CORPORATION

By: Randy H. Hatten

Its ATTY IN FACT  
YATES PETROLEUM CORPORATION, on behalf of  
the above-named entities

WESTERN BANK

By: William M. Dangleer  
Its: President

EXHIBIT "A"  
GEOLOGICAL REQUIREMENTS

Mr. Brent May  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
(505) 748-1471 (Office)  
(505) 746-3304 (Home)

Mr. John McRae  
(505) 748-2785 (Home)  
  
Mr. Ray Beck  
(505) 748-2565 (Home)

I. Notification

- A. You shall immediately notify the above company representative (or alternate) by telephone, at your expense, sufficiently in advance of the following events in order that a representative of the company may be present to witness same:
1. Spudding of any test well hereunder,
  2. All drill stem or other test of said well,
  3. Logging or other downhole surveys,
  4. Any coring operations,
  5. Any plugging operations,
- B. You shall, at your expense, furnish us current progress reports on said well with full information thereon each day by telephone. This requirement may be waived and well progress report may be mailed daily when practicable.

II. Other Requirements:

- A. Unless waived by us, you shall run:
1. A dual laterolog, dual induction or equivalent saturation log.
  2. And a compensated neutron-formation density or equivalent porosity log.
- B. You shall furnish us the following data and information:
1. Two copies of field prints and two copies of final prints of all electric logs or other downhole surveys run in said well; this includes dipmeter logs and any derivative logs such as "Coriband" or "Saraband" or equivalent survey analysis.
  2. One copy of digital log data on 3 1/2" diskette - LAS Format
  3. Two copies of all drill stem test reports,
  4. Two copies of all core analysis reports,
  5. One copy of all fluid analysis reports,
  6. One copy of the preliminary mud log sheets and one copy of the final mud log,
  7. One copy of any paleontological report,
  8. One copy of any geological report,
  9. One copy of the sample description,
  10. One copy of the drilling time,
  11. One copy of all government reports,
  12. One copy of production reports for sixty (60) days after completion of the well.
- C. One set of representative samples to be filed with Midland Sample Cut.



MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986

OIL CONSERVATION DIVISION  
RECEIVED

94 MAR 24 AM 8 49



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

March 24, 1994

State of New Mexico  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504  
Attention: Mr. William J. LeMay

**Re: Case No. 10788  
Order No. R-9964**

Dear Mr. LeMay,

For your information enclosed are several letters concerning Order of the Division B-9964.

Thank you.

Very truly yours,

**YATES PETROLEUM CORPORATION**

Janet Richardson  
Landman

JR/rab  
enclosures

**Nearburg Producing Company**

Exploration and Production  
3300 North "A" Street  
Suite 8100  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

March 22, 1994

Mr. Randy Patterson  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

FAX: 505/748-4572


Re: Notification of Logging  
Big Walt 2 State #2 Well  
Section 2, T-22-S, R-24-E  
Eddy County, New Mexico  
M-H Area

Dear Randy:

Pursuant to the drilling of the captioned well, please be advised we are going to condition the hole, come out of the hole, and prepare to run logs. In anticipation of completing the well, we have ordered 8100' of 7" casing to be delivered to the location.

Should you have any questions or need further information, please advise.

Very truly yours,



Joe Fitzgerald  
Senior Landman

JF:kg

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
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PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

March 22, 1994

Nearburg Producing Company  
3300 North "A" Street  
Suite 8100  
Midland, Texas 79705

Attention: Mr. Joe Fitzgerald

Re: Notification of Logging  
Big Walt 2 State #2 Well  
Township 22 South, Range 24 East  
Section 2  
Eddy County, New Mexico

Dear Mr. Fitzgerald,

We are in receipt of your faxed letter dated today advising us that you have ordered 7" pipe to the location in anticipation of completion of the well. It is Yates Petroleum Corporation's belief that at the current total depth we have not yet penetrated all potential pay zones and should continue drilling to adequately test the Upper Penn (Canyon) Dolomite formations. This would require drilling of approximately 500 to 600 additional feet and cause the TD of the well to be approximately 8600'. Without continuing to drill until the base of the formation is encountered we believe some potential pay would be untested. We therefore respectfully request that drilling continue to a total depth of approximately 8600'.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Randy G. Patterson  
Land Manager

RGP/mw

Enclosure

**Nearburg Exploration Company**

Exploration and Production  
3300 North "A" Street  
Suite 8100  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

March 23, 1994

Mr. Randy G. Patterson  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

FAX: 505/748-4572

Re: Big Walt 2 State #2 Well; E/2 Section 2,  
T-22-S, R-24-E, Eddy County, New Mexico  
M-H Area

Dear Mr. Patterson:

Thank you for your letter of March 22, 1994 which responds to our letters of March 17 and March 22, 1994, in which we requested your input on T.D. of this well. Your response indicates your desire to drill an additional 500 feet in the Big Walt 2 State #2 well. We have seriously considered Yates' request, judging all possible merits against the current status of the well bore. We have reached a total depth of 7932 feet in the well and have evaluated the well bore by drill stem testing one (1) interval and logging the well bore. We have provided you all testing and logging information done to this point. We have identified a zone of interest between an interval of 7860 feet to T.D., which we believe deserves a completion attempt.

While we are aware of your request, Yates has presented no specific geology or engineering data to support further drilling in this well. We have re-reviewed all information available to us and conclude that the potential of any deeper zone is not sufficient to justify putting the well bore and our primary zones of interest at risk unnecessarily by any further drilling. We are concerned about obtaining a good cement job if circulation is lost below current T.D., and we are concerned about unnecessary water production. With 7" casing set at current T.D., we will always have the opportunity to deepen the well to the base of the Cisco/Canyon or to the Morrow when practical. In short, we do not believe it is prudent to jeopardize the well bore and completion attempt for a deepening operation which can be done easily at a later date. If our current operation is not successful, we will consult Yates with regard to the next operation. We intend to set 7" casing at approximately 7932 feet which we believe will enable us to properly cement off the zone of interest.

Pursuant to Order No. R-9964, Yates Petroleum Corporation and its affiliated companies are participants in the well; however, Yates, et al have paid only their share of well costs to casing point, as invoiced. With the election to set casing and attempt a completion, it is now necessary for Yates, et al to pay their

Mr. Randy Patterson  
Yates Petroleum Corporation  
March 23, 1994  
Page -2-

remaining share of total well costs. I have included with this facsimile an invoice for the remaining portion of Yates, et al's share of well costs and request that your payment in the amount of \$181,858.06 be made immediately. We anticipate proceeding to completion operations in a timely manner and would appreciate your prompt payment of these costs. Please refer to the invoice included herewith for wire transfer information.

Thank you for your cooperation and we look forward to a successful completion.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Les Honeyman', followed by a horizontal line.

Les Honeyman  
Exploration Manager

Nearburg Producing Company

Exploration and Production

PO Box 823085

Dallas, Texas 75382-3085

(214) 739-1778

YATES PETROLEUM COMPANY  
105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210

Invoice Date: 03/23/94

Invoice #: 535036C YATE

91500

Due Date: UPON RECEIPT

BIG WALT 2 STATE #2  
BIG WALT PROSPECT  
EDDY COUNTY, NEW MEXICO

## COMPLETION COSTS PER AFE:

8/8THS AFE:

INTEREST:

46.4225610%

INTANGIBLE COMPLETION COSTS: \$107,195.00

\$49,762.66

LEASE AND WELL EQUIPMENT: 284,550.00

132,095.40

TOTAL ALLOCATED TO YOUR INTEREST: \$391,745.00

\$181,858.06

AMOUNT DUE TO (FROM) NEARBURG:

\$181,858.06Please Wire Transfer Funds To:  
Nearburg Producing Company  
Account #0180380766  
NationsBank, Dallas, Texas  
ABA #111000025