

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
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March 30, 1992

*Stogner*

HAND-DELIVERED

RECEIVED

MAR 30 1992

OIL CONSERVATION DIVISION

William J. LeMay, Director  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
State Land Office Building  
Santa Fe, New Mexico 87503

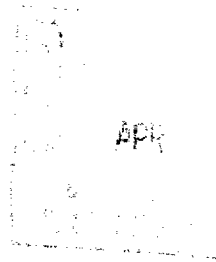
Re: Yates Petroleum Corporation Order No. R-9618

Dear Mr. LeMay:

On December 17, 1991 the Division entered Order No. R-9618 in Case No. 10396 granting the application of Yates Petroleum Corporation for compulsory pooling of the NW/4 of Section 29, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. Order Paragraph 1 of Order No. R-9618 pools "all mineral interests, whatever they may be, from the surface to the base of the Canyon formation ..." underlying the NW/4 of said Section 29 to form a 160-acre gas spacing unit for all wells and formations developed on 160-acre units. Order Paragraph 7 imposes a 175% risk charge on non-consenting working interest owners in the initial well on this acreage.

Pursuant to this Order, Yates Petroleum Corporation has drilled and completed its Voight "ADJ" Com. No. 1 Well at a standard location in the NW/4 NW/4 of this section. The well is completed in the Undesignated Dagger Draw-Pennsylvanian Pool which is governed by rules which recognize the need for drilling of additional oil wells on a spacing unit. (See Order No. R-4691-D).

William J. LeMay, Director  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
March 30, 1992  
Page 2



Yates desires to drill two additional Canyon wells on this pooled unit and needs clarification from the Division of certain provisions in this Order. Specifically, Yates requests clarification on (1) whether an additional compulsory pooling hearing for the same minerals pooled by Order No. R-9618 is required prior to additional development on this tract; (2) whether the 175% risk penalty set by this Order would apply to working interest owners in this spacing unit who did not voluntarily join in the drilling of subsequent wells, and (3) if interest owners in this acreage stay non-consent in subsequent wells, is payout based on each individual well or on payout for all development on this unit.

We appreciate your attention to this request.

Very truly yours,

A handwritten signature in black ink, which appears to read "William F. Carr", is written over a printed name. The signature is stylized and cursive.

WILLIAM F. CARR  
Attorney for Yates Petroleum Corporation

WFC:mlh

cc: Randy Patterson



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

BRUCE KING  
GOVERNOR

December 17, 1991

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

Mr. William F. Carr  
Campbell, Carr, Berge  
& Sheridan  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico

Re: CASE NO. 10396  
ORDER NO. R-9618

Applicant:

Yates Petroleum Corporation

Dear Sir:

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

Sincerely,

Florence Davidson

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD \_\_\_\_\_ x  
 Artesia OCD \_\_\_\_\_ x  
 Aztec OCD \_\_\_\_\_

Other Thomas Kellahin, Paul Cooter, Wilma Voight

Case File  
10396

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



July 20, 1992

BRUCE KING  
GOVERNOR

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

William F. Carr, Esq.  
CAMPBELL & BLACK, P.A.  
P.O. Box 2208  
Santa Fe, NM 87504-2265

RE: Yates Petroleum Corp. Order R-9618

Dear Bill:

You had written previously requesting an interpretation of the above pooling order with respect to the drilling of a second well on the proration unit. I am sure that I drafted a response, and Mike Stogner is sure he reviewed it, but apparently it got lost.

I essentially agree with the interpretation of the order as stated in your April 27, 1992, letter. Although our forced pooling orders do not contain a subsequent operations provision, because this order pools the entire proration unit without reference to a specific well, I think its provisions apply to subsequent wells.

If Yates elects to drill another well, they should provide Wilma Voight with an AFE and offer her the opportunity to join within thirty days thereafter. If she elects not to join, the recovery of costs for that well would be subject to the 175% penalty. Any non-consent costs and penalties, whether or not Voights join the second well, are to be recovered from all production on the proration unit regardless of which well produces, since this is a single unit under the order.

I have spoken with Mr. Voight, and he tells me that Yates has not been forthcoming with information. He just received the actual cost statement, and Yates is not providing revenue information. Nor has he received payments on his royalty share. Under the provisions of the order Voights have thirty days from the date they received the costs to challenge the reasonableness of those costs. No costs or information are to be withheld from royalty.

When the second well is drilled, whether or not Voights participate, they must be provided with a statement of costs and be given the opportunity to challenge them, including the propriety of drilling the well if they think it is inappropriate.

If you have any further questions, do not hesitate to call me.

Sincerely,

Robert G. Stovall,  
General Counsel

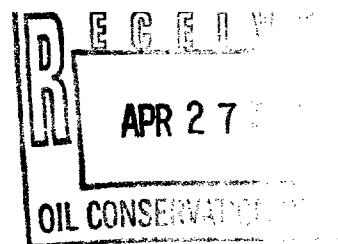
cc: Wilma Voight, case file

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

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April 27, 1992

**HAND-DELIVERED**

*Case 10396*

Robert E. Stovall  
New Mexico Oil Conservation Commission  
Department of Energy, Minerals  
and Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

Re: Yates Petroleum Corporation Order No. R-9618

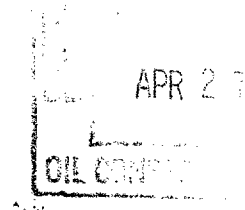
Dear Bob:

On March 30, 1992 I wrote William J. LeMay concerning the status of Yates Petroleum Corporation's Plan for Development of the NW/4 of Section 29, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. A copy of my letter is attached to this letter for easy reference. Following that letter, you and I met and discussed the questions raised therein.

It is my understanding, due to the particular wording of Order No. R-9618 which pools all mineral interests under the NW/4 of Section 29 without reference to any particular well, that Yates may proceed under this order to drill additional wells on this tract without obtaining new pooling orders from the Oil Conservation Division.

It is also my understanding that the non-consent owners must be provided an AFE for each subsequent well and given thirty (30) days within which to pay their share of estimated wells costs to avoid the risk penalty imposed by this order. However, recoupment of costs will occur on a lease as opposed to an individual well basis.

Robert E. Stovall  
New Mexico Oil Conservation Commission  
Department of Energy, Minerals  
and Natural Resources  
April 27, 1992  
Page 2



Yates plans to drill additional wells on this tract in the immediate future. Since we will be relying on the matter set out above, we request a letter from the Division confirming its position on these questions.

Your attention to this matter is appreciated.

Very truly yours,

WILLIAM F. CARR  
Attorney for Yates Petroleum Corporation

WFC:mlh  
Enclosure

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
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March 30, 1992

HAND-DELIVERED

William J. LeMay, Director  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
State Land Office Building  
Santa Fe, New Mexico 87503

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MAR 30 1992

OIL CONSERVATION DIVISION

Re: Yates Petroleum Corporation Order No. R-9618

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Pursuant to this Order, Yates Petroleum Corporation has drilled and completed its Voight "ADJ" Com. No. 1 Well at a standard location in the NW/4 NW/4 of this section. The well is completed in the Undesignated Dagger Draw-Pennsylvanian Pool which is governed by rules which recognize the need for drilling of additional oil wells on a spacing unit. (See Order No. R-4691-D).

William J. LeMay, Director  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department

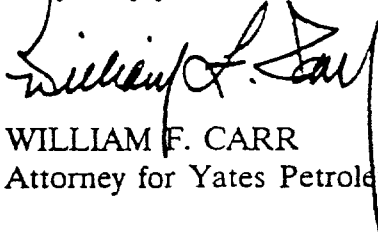
March 30, 1992

Page 2

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We appreciate your attention to this request.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", is written over a vertical line that extends from the signature down to the typed name below.

WILLIAM F. CARR  
Attorney for Yates Petroleum Corporation

WFC:mlh

cc: Randy Patterson



*Mike -  
Please review  
MS*

**June 15, 1992**

**William F. Carr, Esq.  
Campbell, Carr, Berge & Sheridan  
P. O. Box 2208  
Santa Fe, New Mexico 87504-2208**

**Re: Yates Petroleum Corp.  
Order No. R-9618**

**Dear Bill:**

**I apologize for being so slow to get back to your April 27, 1992, letter regarding interpretation of the forced pooling order above referenced, which order force pooled all mineral interests under the Northwest Quarter of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.**

**I believe your interpretation of the order as we discussed is correct. As you know our force pooling orders do not have any subsequent operations provision in them,**

but I believe that as the current order is written, an additional well could be drilled provided that the operator followed all of the procedures set forth in the order with respect to providing an AFE and giving the non-consenting party the opportunity to join in the second well.

Because the order pools the mineral interests within the proration unit, it is my opinion that production of any well within the proration unit will be used to offset the costs of all wells in the proration unit. In other words, it doesn't matter which wells are producing, all the revenues will go to all the costs.

It is also my opinion that any non-consenting owner should have the opportunity to join in the second well and to challenge the costs of those wells including the drilling if they feel that such drilling is inappropriate or unnecessary. The Division would then be in a position to hear evidence on those matters if it is raised.

Finally, it is also my opinion that the administrative overhead costs in this case, under a forced pooling order, apply to the proration unit and not to individual wells. Therefore, Yates would not be permitted to charge an additional administrative overhead cost for the second well under the forced pooling order.

If I can be of any further assistance to you, please let me know.

Sincerely,

ROBERT G. STOVALL,  
General Counsel

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



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

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

State of New Mexico  
Oil Conservation Division  
P.O. Box 2088  
State Land Office Building  
Santa Fe, New Mexico 87504

August 5, 1992

Attention: Mr. Robert G. Stovall  
General Counsel

Re: Case No. 10396  
Order R-9618  
Voight "AJD" Com. #1  
Township 19 South, Range 25 East NMPM  
Section 29: NW/4  
Eddy County, New Mexico

Dear Mr. Stovall:

Pursuant to your letter dated July 20, 1992 to William F. Carr, Esq., I would like to address and clarify any misunderstanding you may perceive to exist from your phone conversations with Mr. Voight regarding the captioned order.

1. This well was spudded January 23, 1992 and completed ready to produce March 16, 1992. It normally takes between 90 and 120 days after completion to receive, process, and pay all charges to a well so actual well costs can be determined. Under letter dated July 27, 1992, Yates Petroleum Corporation provided the OCD with a copy of our actual well cost and forwarded the same to Mr. Voight along with an updated payout statement.
2. Our Division Order Dept. has the Voight royalty interest in line to pay and first run checks were scheduled for July 25, 1992.
3. The only contact I've had from Mr. Voight was August 4, 1992, in regard to Yates Petroleum Corporation's proposed Voight "AJD" Com. #2 well, wherein, we provided him with an Authority for Expenditure and the opportunity to participate in the drilling of this well.

In closing may I state that Yates Petroleum Corporation feels they have complied with the provisions and terms of the captioned order and we fully intend to remain in compliance. Should you or Mr. Voight have any questions or want to discuss anything, I welcome your call.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

*Michael R. Burch*

Michael R. Burch  
Landman

cc: William F. Carr  
Wilma Voight

MRB/tkr