

DATE IN 2/1/08	SUSPENSE	ENGINEER Brooks	LOGGED IN 2/4/08	TYPE NSL	APP NO. PKVR0803551136
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



Yates Petroleum Corp.  
Waylon State Unit #7

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
☒ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify \_\_\_\_\_
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

RECEIVED  
2008 FEB 1 PM 3 32

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Ocean Munds-Dry      Ocean Munds-Dry      Attorney      2-1-08  
 Print or Type Name      Signature      Title      Date  
 omundsdry@hollandhart.com  
 e-mail Address



February 1, 2008

**HAND-DELIVERED**

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

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Waylon State Unit Well No. 7 located 660 feet from the North line and 330 feet from the West line of Section 22, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

30-025-38753  
Pursuant to the provisions of Division Rule 104 F (2), Yates Petroleum Corporation ("Yates") hereby seeks administrative approval of an unorthodox well location for its Waylon State Unit Well No. 7 located 660 feet from the North line and 330 feet from the West line of Section 22, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico. The W/2 of Section 22 will be dedicated to the well.

This location is unorthodox because it is governed by the Division's Statewide Rules and Regulations which provide for wells on 320-acre spacing to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed location is unorthodox because it is only 330 feet from the western boundary of the quarter section on which the well is located. A standard 320-acre spacing and proration unit comprised of the W/2 of Section 22 will be dedicated to the well.

The unorthodox location is required by geologic conditions. As discussed by Mr. Amiet in **Exhibit A**, a standard location would be on the edge of the Morrow sand channel. As shown on the attached Lower Morrow Net Sand Isopach Map (attached as **Exhibit B**), a proposed location would be near the center of the channel. **Exhibit C** is Stratigraphic Cross-Section A-A' and shows these lower Morrow sands in yellow. With thin sands, a location several hundred feet away can be the difference between a good well and a poor well.



Attached hereto as **Exhibit D** is a plat as required by Rule 104.F (3). Section 29 is a part of the Waylon State Unit. Therefore, Yates is also the offsetting operator upon which the well encroaches. Also, working interest ownership is common in each spacing unit. Therefore, there are no affected parties as defined by Rule 1210(A)(2) and no notice is required.

The proposed location is the most efficient and reasonable way to develop these potential reserves and would be in the best interest of conservation and the prevention of waste.

Your attention to this application is appreciated.

Sincerely,

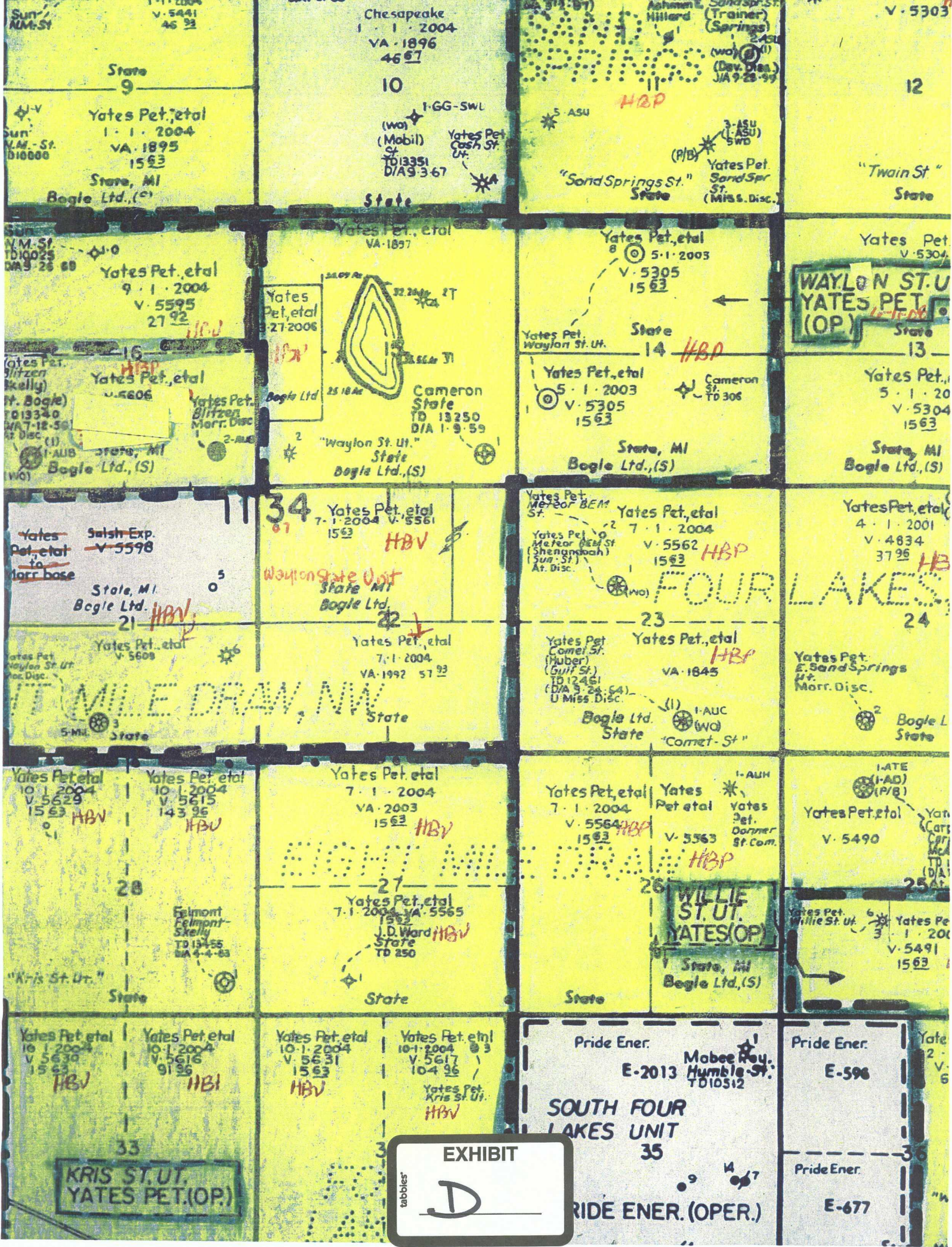
Ocean Munds-Dry  
ATTORNEY FOR YATES PETROLEUM  
CORPORATION

Enclosures

cc: Mr. Robert Bullock  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88201

OCD - Hobbs





EXHIBIT

D

Pride Ener.

E-2013

Mabee Roy.  
Humble St.  
TD10512

SOUTH FOUR  
LAKES UNIT

35

PRIDE ENER. (OPER.)

Pride Ener.

E-596

Pride Ener.

E-677



## REQUEST FOR LOCATION EXCEPTION – WAYLON STATE UNIT # 7

Yates Petroleum Corporation is requesting a location exception for the Waylon State Unit # 7 well. The proposed location is 660' FNL and 330' FWL of section 22, T11S R34E. The geologic target for this infill well is a NE-SW trending lower Morrow sand channel. If the location is moved to a legal gas location of 660' FNL and 660' FWL, the well would be on the edge of the sand channel.

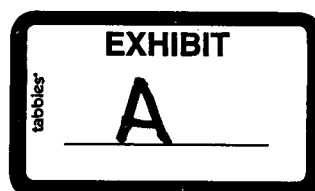
Included with this application is a net sand isopach map of the lower Morrow. This map indicates that a legal location of 660' from the west line of section 22 would be on the edge of the channel. The Waylon # 6 well is located on the eastern edge of the channel in section 21, and has been a disappointing well with a cumulative production of 4 MBO and 75 MMCF of gas. The productive lower Morrow wells are shown in purple. The wells with better cumulative production are the Kris (section 28), the Blitzen (section 16) and the Waylon # 4 (section 15). All these wells are located in the center of the channel. The well with the best production is the Waylon #2, which is a north offset to the proposed location. This well has a cumulative production of 90 MBO and 3 BCF, but this well produces from several zones.

Cross section A – A' shows these thin lower Morrow sands in yellow. With thin sands, a location several hundred feet away can be the difference between a good well and a poor well.

The offsetting section 21 is a part of the Waylon State Unit. Elk Oil (now Slash Exploration) has a 12.5 % interest in the Waylon State Unit, and Yates has the remaining interest. Elk has participated in all the Waylon State Unit wells drilled to date. Slash Exploration has purchased Elk Oil and they have been contacted on the Waylon # 7 proposal. With an expected well cost of \$2,647,800, it is critical that the well be situated in the best location to optimize the chance for success. The Waylon # 7 location is the most efficient and reasonable way to develop these potential reserves, and would be in the best interest of conservation and the prevention of waste for the State of New Mexico, Yates Petroleum, and Slash Exploration. Yates has been very active in this area and has drilled five wells in the Waylon State Unit.



John Amiet      505-748-4312



11S 34E

16

15

14

WAYLON  
ST. UNIT

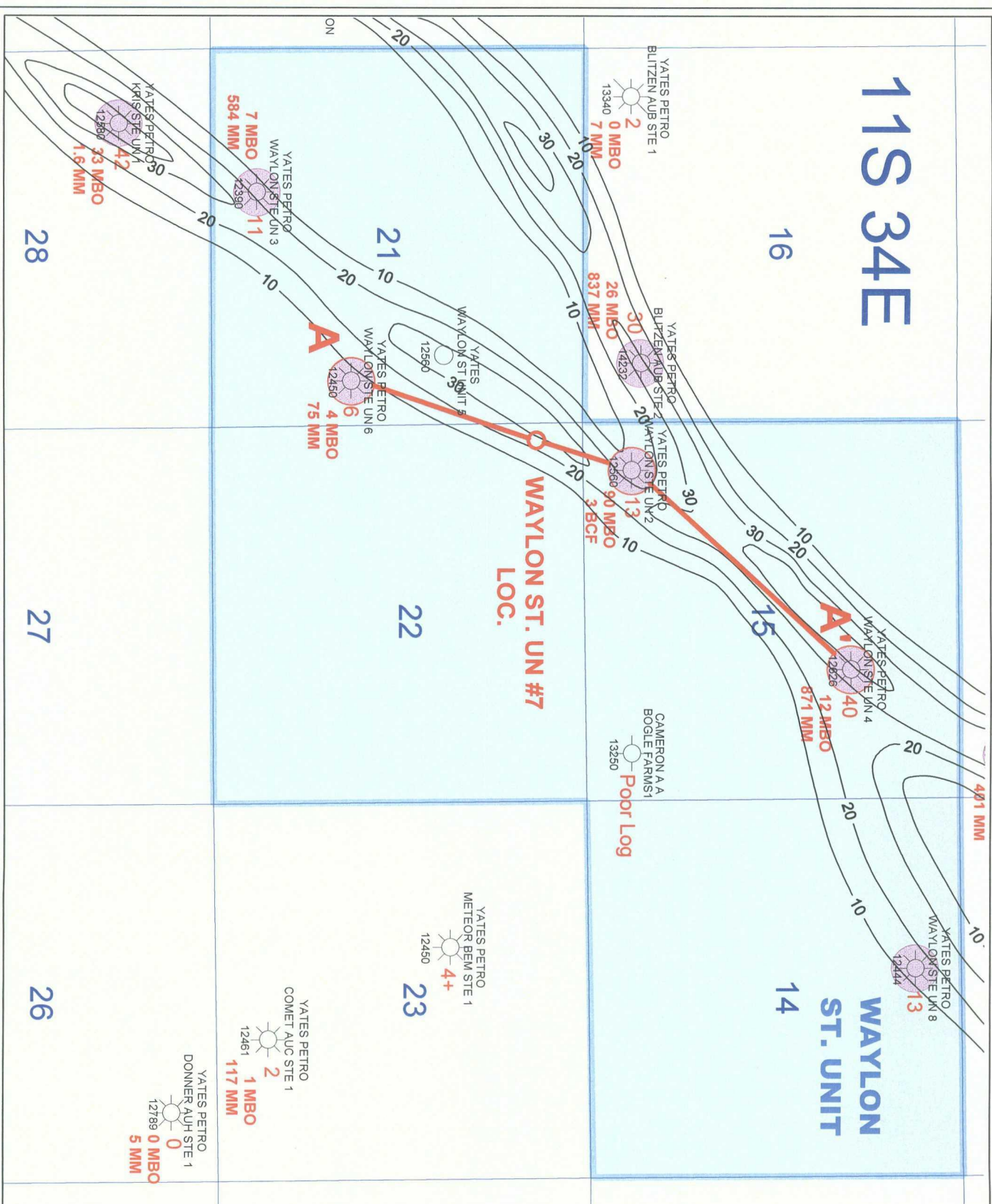


LOWER MORROW NET SAND ISOPACH

All Wells Shown

LEA COUNTY, NM

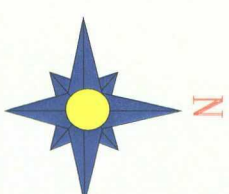
Author:	CI = 10'	Date:
JOHN AMIET	Scale:	18 January, 2007
	1" = 1,500'	Waylon St Unit Loc
Doc		Exp'd.rmp



13 Lower Morrow Net Feet Sand  
> 6% Porosity

MBO Lower Morrow Production  
Thousand Barrels of Oil

M M Million Cubic Feet Gas



EXHIBIT

B

**Brooks, David K., EMNRD**

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**From:** Brooks, David K., EMNRD  
**Sent:** Monday, March 10, 2008 9:44 AM  
**To:** 'Ocean Munds-Dry'  
**Subject:** Waylon State Unit No. 7

Dear Ocean

You state that ownership is common throughout the Waylon State Unit. I am assuming that the heavy, dashed line on your Exhibit D is the unit boundary. But there are several heavy, dashed lines going in various directions. The proposed location encroaches toward the S/2 Section 16, as well as the N/2 of Section 21.

Is the S/2 Section 16 also in the Waylon State Unit? If not, is WI ownership there identical to that in the Unit?

Thanks

David Brooks  
Legal Examiner

3/17/2008

**Brooks, David K., EMNRD**

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**From:** Ocean Munds-Dry [Omundsdry@hollandhart.com]  
**Sent:** Tuesday, March 18, 2008 7:39 AM  
**To:** Brooks, David K., EMNRD  
**Subject:** RE: Waylon State Unit No. 7

David: Section 16 is not in the Unit but working interest ownership is identical to that in the Unit.

Thanks,  
Ocean

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Monday, March 10, 2008 10:44 AM  
**To:** Ocean Munds-Dry  
**Subject:** Waylon State Unit No. 7

Dear Ocean

You state that ownership is common throughout the Waylon State Unit. I am assuming that the heavy, dashed line on your Exhibit D is the unit boundary. But there are several heavy, dashed lines going in various directions. The proposed location encroaches toward the S/2 Section 16, as well as the N/2 of Section 21.

Is the S/2 Section 16 also in the Waylon State Unit? If not, is WI ownership there identical to that in the Unit?

Thanks

David Brooks  
Legal Examiner

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3/19/2008