



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Yates Petroleum Corporation

105 South Fourth Street

Artesia, New Mexico 88210-2118

January 28, 2004

Lori Wrotenberg

Director

Oil Conservation Division

Attention: **Chuck Moran**
Landman

Case 13229

Re: Application for administrative review by the Division submitted on January 5, 2004 (*administrative application reference No. pLR0-400627649*) for: (i) location exceptions for Yates Petroleum Corporation's ("Yates") existing Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located 330' FSL & 1225' FWL (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico; (ii) an exception to Division Rule 104.C (2) (b) in order to locate and complete two Pennsylvanian producing wells with the same quarter section of a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Section 13 within the Palma Mesa-Pennsylvanian Gas Pool (82550); and (iii) a retroactive approval date of October 15, 2003 for any order issued to Yates in this matter

Dear Mr. Moran,

Your application: (i) contained provisions that could not be addressed administratively; and (ii) lacked sufficient support data and/or explanation for the Division to proceed with issuing an administrative order; therefore, your application will be set for hearing before an examiner on the next available scheduled for March 4, 2004. I have prepared the following advertisement for this case:

"Application of Yates Petroleum Corporation for an unorthodox location, an exception to Division Rule 104.C (2) (b), and a retroactive approval date for any order issued in this case, Chaves County, New Mexico. Applicant seeks an exception to the applicable well location set-back requirements governing all formations or pools from the surface to the top of the Palma Mesa Siluro-Ordovician Gas Pool (82556) for its existing Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911), located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East (which well was the subject of Division Order No. R-9721, issued in Case No. 10489 on June 11, 1992, approving this well as an unorthodox gas well location in the Palma Mesa Siluro-Ordovician Gas Pool within a standard 320-acre deep gas spacing unit comprising the S/2 of Section 13), this well to be dedicated to the following described spacing and proration units: (i) the S/2 to form a standard 320-acre lay-down deep gas spacing unit for all formations and/or pools developed on 320-acre spacing within this vertical extent [see Division Rule 104.C(2)], which presently includes but not necessarily limited to the Palma Mesa-Pennsylvanian Gas Pool (82550); (ii) the SW/4 to form a standard 160-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent [see Division Rule 104.C (3)], which presently includes but not necessarily limited to the Undesignated Pecos Slope-Abo Gas Pool (82730) [Rule 4 of the "Special Rules and Regulations for the Pecos Slope-Abo Gas Pool," as promulgated by Division Order No. R-9976-C, dated March 19, 1996]; and (iii) the SW/4 SW/4 (Unit M) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Southeast Acme-San Andres Pool (800) [see

RECEIVED

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



JAN 05 2004

OIL CONSERVATION
 DIVISION

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

Case 13229

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

- [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.

Chuck Moran
 Print or Type Name

Chuck Moran
 Signature

Landman
 Title

12-31-03
 Date

cmoran@ypcnm.com
 e-mail Address

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



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

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

December 31, 2003

CERTIFIED MAIL/RETURN RECEIPT

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 13229

Attention: Mr. Michael E. Stogner

30-005-62911

Re: Administrative Application of Yates Petroleum Corporation for
Approval of an Unorthodox Oil and Gas Well Location
Chaves County New Mexico

Dear Mr. Stogner:

Yates Petroleum Corporation in accordance with Division General Rule 19 NMAC 15.C.104.F applies to the New Mexico Oil Conservation Division for approval of an unorthodox well location for any and all oil or gas production from surface to the base of the Siluro-devonian formation for its Hanlad AKZ State #2 which is drilled at an unorthodox gas well location of 330 feet from the South line and 1,225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico and to be dedicated to a 320 acre spacing unit consisting of the S/2 of Section 13, and in support states:

- 1) Yates Petroleum Corporation (Yates) requests that you take official notice of Order Number R-9721 issued on September 16, 1992.
- 2) Yates is the operator of subject well and is a working interest owner in the S/2 of Section 13-T8S-R26E. (See Exhibit # 1 and #3)
- 3) Yates drilled its Hanlad AKZ State #2 at an unorthodox oil and gas well location of 330 feet from the South line and 1,225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico. (See Exhibit # 2)
- 4) The subject well was drilled at an unorthodox location as permitted under Order Number R-9721.
- 5) At this time Yates wants to produce the Wolfcamp formation and eventually test the Strawn formation, each which require a 320-acre spacing unit that is not approved under the Order Number R-9721. In the event that these formations

are not productive, Yates may propose to test formations that require a 160-acre spacing unit for gas for which this location would be unorthodox.

- 6) The lease on which the well is drilled covers the spacing unit to form a 320-acre spacing unit dedicated to this well in the S/2 of Sec. 13-T8S-R27E for formations that require a 320 acre spacing unit. For a gas well completed in the SW/4 of Section 13-T8S-R27E requiring 160-acre spacing unit, a 160-acre spacing unit would be formed.
- 7) The existing well location only encroaches to the spacing units to the South of Section 13-T8S-R27, being Section 24-T8S-R27E. The affected leasehold is identified on Exhibit #1 and the owners are identified on Exhibit #3. Waivers have been obtained from affected persons as defined by 19 NMAC 15.N.1207.A.2 and are attached hereto. (See Exhibit # 1, #3 and #4)
- 8) Notice of this application was hand delivered the same date as this application to all affected persons identified in Exhibit #3 and is shown by the waivers obtained in Exhibit #4.
- 9) Lastly, we request that the order be issued with an effective date of October 15, 2003.

Wherefore, Yates Petroleum Corporation requests that the Division approve this matter administratively.

Respectfully submitted,

YATES PETROLEUM CORPORATION

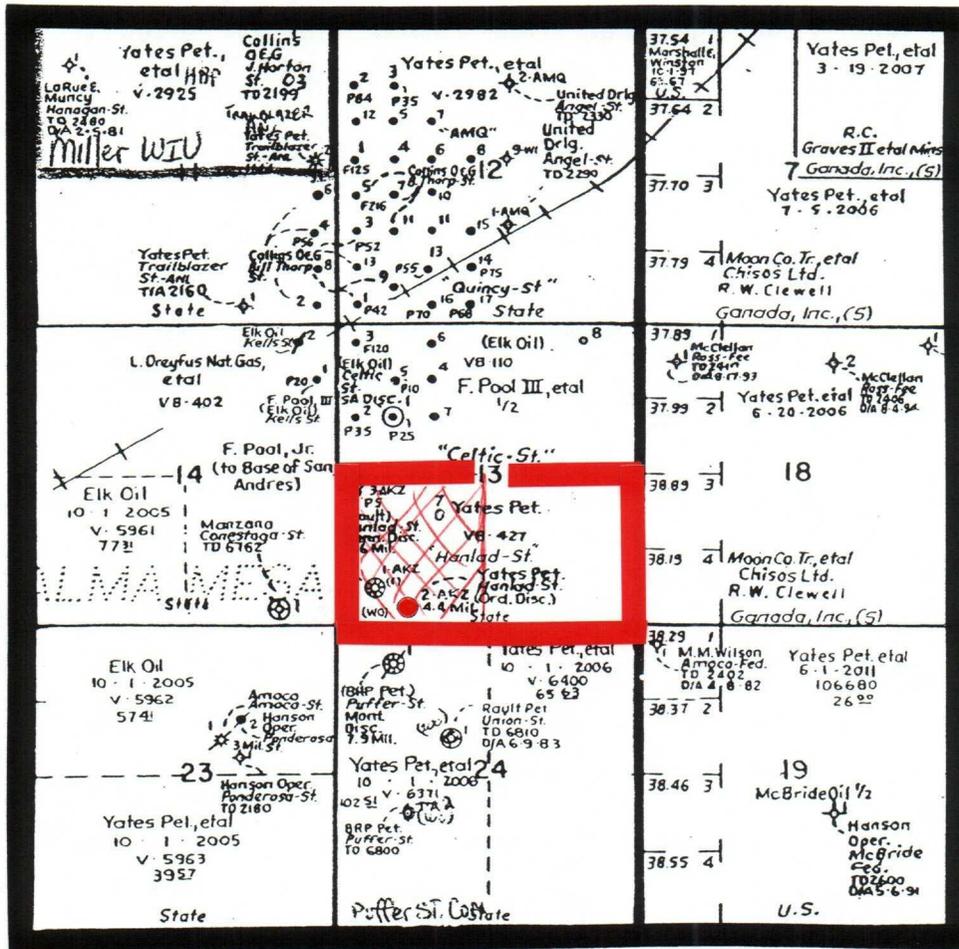


Chuck Moran
Landman

Enclosure:

Exhibit 1

Yates Petroleum Corporation
 Hanlad "AKZ" State #2
 Section 13-T8S-R27E
 Chaves County, New Mexico



Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease HANLAD "AKZ" STATE			Well No. 2		
Unit Letter M	Section 13	Township 8 SOUTH	Range 27 EAST	County NMPM CHAVES				

Actual Footage Location of Well:
 330 feet from the SOUTH line and 1225 feet from the WEST line

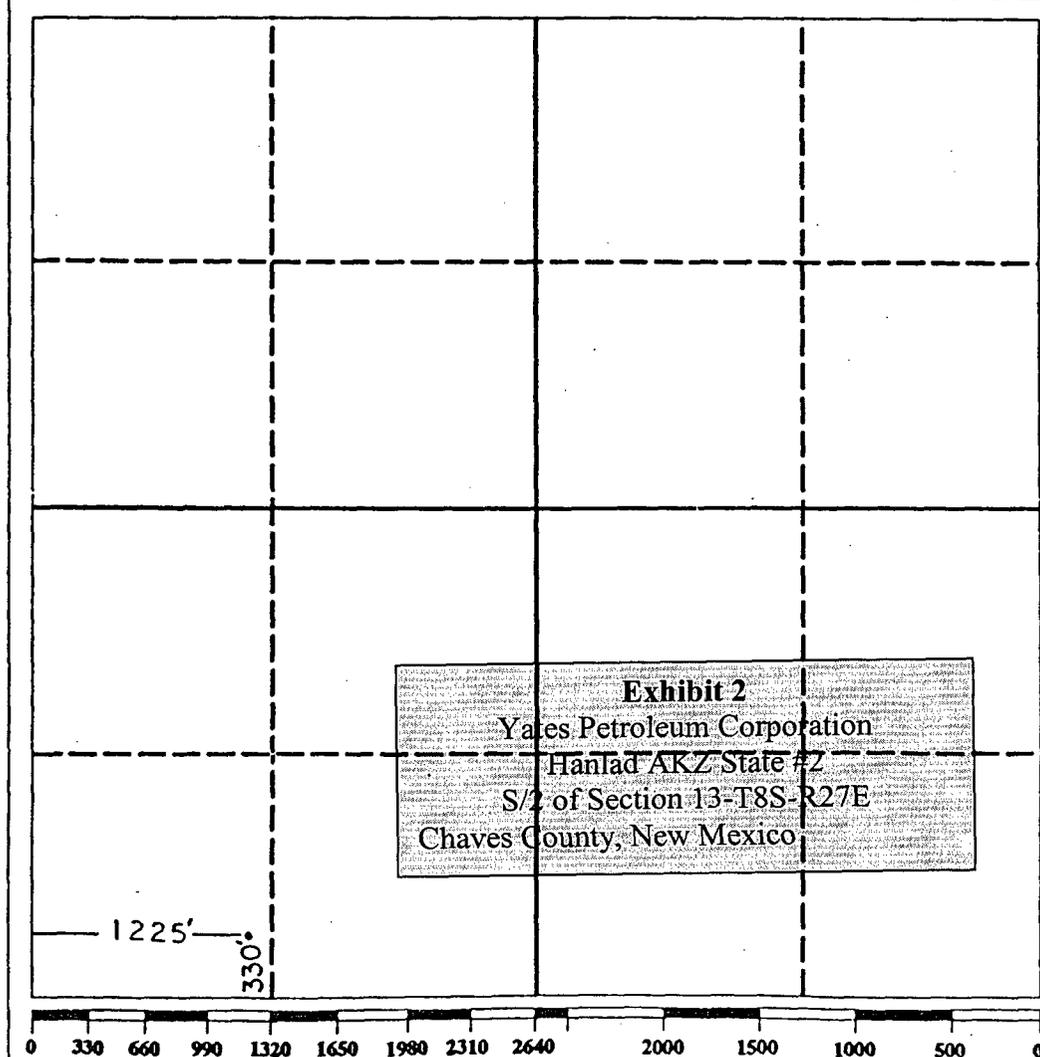
Ground level Elev. 3943'	Producing Formation ORDOVICIAN	Pool WILD CAT ORDOVICIAN	Dedicated Acreage: 320 Acres
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- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Clifton R. May*
 Printed Name: Clifton R. May
 Position: Permit Agent
 Company: Yates Petroleum Corporation
 Date: September 24, 1992

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: 9/23/92
 Signature & Seal of Professional Surveyor: *Herschel L. Jones*
 Certificate No. 3540
 STATE OF NEW MEXICO
 HERSCHEL L. JONES
 3540
 SURVEYED LAND SURVEYOR

Exhibit 3

Yates Petroleum Corporation
Hanlad AKZ State #2
S/2 of Section 13-T8S-R27E
Chaves County, New Mexico

Well Location

Legal: Township 8 South Range 27 East, NMPM
Section 13: S/2
Chaves County, New Mexico

Leasehold: State of New Mexico
Lease Number: VB-0427

Working Interest Owners:
Yates Petroleum Corporation – 70.00%
Yates Drilling Company – 10.00%
Myco Industries, Inc. – 10.00%
Abo Petroleum Corporation – 10.00%

Affected Persons

Tract 1: Legal: Township 8 South Range 27 East, NMPM
Section 24: W/2
Chaves County, New Mexico

Leasehold: State of New Mexico
Lease Number: VO-6371

Working Interest Owners:
Yates Petroleum Corporation – 70.00%
Yates Drilling Company – 10.00%
Myco Industries, Inc. – 10.00%
Abo Petroleum Corporation – 10.00%

Tract 2: Legal: Township 8 South Range 27 East, NMPM
Section 24: E/2
Chaves County, New Mexico

Leasehold: State of New Mexico
Lease Number: VO-6400

Working Interest Owners:
Yates Petroleum Corporation – 70.00%
Yates Drilling Company – 10.00%
Myco Industries, Inc. – 10.00%
Abo Petroleum Corporation – 10.00%

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TREASURER

December 31, 2003

HAND DELIVERED

Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Re: Administrative Application of Yates Petroleum Corporation
For Approval of an Unorthodox Oil and Gas Well Location
Hanlad AKZ State #2
330' FSL & 1,225' FWL in S/2 of Sec. 13-T8S-R27E
Chaves County, New Mexico

Gentlemen:

I enclose a complete copy of Yates Petroleum Corporation's administrative application for approval of an unorthodox well location. We request that you that you sign one copy of this letter waiving objection to this location, and return it to our office. Alternatively, if you object to our application, your objection must be filed in writing within 20-days from the date the New Mexico Oil Conservation Division receives this Application. We have mailed the application to the same date we delivered this notice to you.

If you have questions concerning our proposal, please give me a call.

Very truly yours,

YATES PETROLEUM CORPORATION


Chuck Moran
Landman

Enclosure

I / We waive objection to the unorthodox location application of Yates Petroleum Corporation for its Hanlad AKZ State #2 well drilled at a location of 330' FSL and 1,225' FWL in Section 13-T8S-R27E, Chaves County, New Mexico.

**YATES DRILLING COMPANY
MYCO INDUSTRIES, INC.
ABO PETROLEUM CORPORATION**

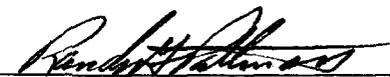
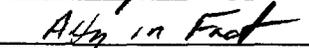
By: 
Its: 

Exhibit 4
Yates Petroleum Corporation
Hanlad AKZ State #2
S/2 of Section 13-T8S-R27E
Chaves County, New Mexico