

**REQUEST FOR LOCATION EXCEPTION AND FORCED POOLING  
DEE 36 SE STATE COM # 7**

Yates Petroleum Corporation is requesting a location exception and a forced pooling order for the Dee 36 SE State Com # 7 well (originally drilled as the Dee 36 SE State Com #2). The well is located 940' FSL and 990' FWL of section 36, T19S R24E. This well was drilled as an orthodox Canyon test, and has produced 440 MBO and 1.1 BCF, but became depleted in the Canyon Formation. The well was then perfed in the vertical section of the Cisco shale from 7,450' to 7,550' and initially tested 20 BOPD. The well gradually died, but looked like it would be a good candidate for a horizontal test in the Cisco shale. This well will be drilled from west to east out of the existing well bore and 40 proration unit into the three 40 acre proration units to the east.

Attached is a net pay map showing the density porosity greater than 8%. The pay ranges from 56' to 43' of potential net pay along the proposed horizontal well. Also attached is a 2 well cross section showing the Cisco shale and the proposed vertical depth of 7,500' for the horizontal well. The total measured depth of the well will be 11,255'. This well bore was chosen to test the Cisco shale because the original productive zone is depleted, the well bore is in good condition, and there is over 100' of limestone cap above the original perforations. Also using an existing well bore will save approximately \$800,000 in drilling and casing costs. Testing this proposed zone in the existing well bore will cost approximately \$719,500 for a dry hole and \$2,356,000 for a completed horizontal well (see AFE).

Drilling a Cisco horizontal well out of the existing well bore gives Yates Petroleum the best chance to extend production for this lease, which benefits both Yates Petroleum and the State of New Mexico. This seems to be 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.

John Amiet

*Yates Petroleum Corporation  
Case No. 14598  
Exhibit 7*