February 19, 1996

Yates Petroleum Corporation c/o Campbell, Carr, Berge & Sheridan, P. A. P. O. Box 2208 Santa Fe, New Mexico 87504-2208

Attn: William F. Carr

RE: Application for directional drilling and various unorthodox bottohole gas well locations: Zinnia Federal Unit Well No. 1 (API No. 30-015-27939) in Section 27, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Carr:

In reviewing the subject application dated February 8, 1996 further, along with the file of Case 11339, the OCD's well record, and the file of Administrative Order DHC-1143, I could not find who requested or required the current surface location of this well, was it moved at the request of the U. S. Bureau of Land Management and/or the potash lessee? Where was this well originally to have been drilled? Again, thank you for your cooperation in this matter.

Should you have any questions or comments, please contact me at (505) 827-8185.

Sincerely

Michael E. Stogner Chief Hearing Officer/Engineer

MES/kv

cc: Oil Conservation Division - Artesia William J. LeMay, Director - OCD, Santa Fe Case File 11,339 Randy Patterson, Yates Petroleum Corporation - Artesia, New Mexico

OIL CONSERVATION DIVISION

February 19, 1996

Campbell, Carr, Berge & Sheridan, P. A. Attn: William F. Carr P. O. Box 2208 Santa Fe, New Mexico 87504-2208

Re: Application of Yates Petroleum Corporation for directional drilling and various unorthodox bottomhole gas well locations: Zinnia Federal Unit Well No. 1 (API No. 30-015-27939) located in Section 27, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Carr:

Reference is made to your application on behalf of the operator, Yates Petroleum Corporation, dated February 8, 1996 and to the file on Case No. 11339. Please submit a copy of the directional survey run on this well. Once this information is submitted I can then began processing this application. Thank you for your cooperation in this matter.

Should you have any further questions or comments concerning this matter, please contact me at (505) 827-8185. Thank you.

Sincerely. luhur

Michael E. Stogner Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia
 Case File 11,339
 William J. LeMay, Director - OCD, Santa Fe
 Randy Paterson, Yates Petroleum Corporation - Artesia, New Mexico

CAMPBELL, CARR & BERGE, P.A.

LAWYERS

MICHAEL B. CAMPBELL WILLIAM F. CARR BRADFORD C. BERGE

MICHAEL H. FELDEWERT TANNIS L. FOX TANYA M. TRUJILLO PAUL R. OWEN JACK M. CAMPBELL

OF COUNSEL

JEFFERSON PLACE SUITE I - 110 NORTH GUADALUPE POST OFFICE BOX 2208 SANTA FE, NEW MEXICO 87504-2208 TELEPHONE: (505) 988-4421 TELECOPIER: (505) 983-6043

February 16, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy, Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RECEIVED

FEB 1 6 1996

Oil Conservation Division

Re: Yates Petroleum Corporation Zinnia Federal Unit Well No. 1 Section 27, Township 20 South, Range 29 East, Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation has requested that I submit the following information in response to your letter of February 9, 1996 as further explanation of the circumstances surrounding the drilling of the above-referenced well. The history of this well is set forth in my letter of February 8, 1996, in which I transmitted applications of Yates Petroleum Corporation for either administrative approval or a hearing to approve the directional drilling and the unorthodox locations for this well.

The application for permit to drill the Yates Zinnia AMZ Federal Well was approved by the Bureau of Land Management on April 26, 1994. Due to the well being located in close proximity to the Potash Area, the well had to be directionally drilled. Between the date the well was permitted and the spud date, a Federal Unit was formed which included the spacing unit dedicated to the well. The well's name was thereafter changed to the Zinnia Federal Unit Well No. 1. Drilling commenced on November 17, 1994 following notice to the BLM and continued until late February, 1995. The rig was released on February 25, 1995.

William J. LeMay, Director Oil Conservation Division February 16, 1996 Page 2

Although first sales from the well occurred on March 9, 1995, from March 4, 1995 through late June, 1995, Yates continued to work on this well in an attempt to establish production from either the Morrow, Strawn or Wolfcamp formations. On June 8, 1995, the Bureau of Land Management approved the recompletion of the well in the Wolfcamp formation. On that date, I was contacted concerning the filing of an application with the Oil Conservation Division seeking approval of the directional drilling of the well and bottomhole location in the subject formations. The details after that date are set out in my letter to you and Mr. Gum dated February 8, 1996. A copy of that letter is attached hereto for your easy reference.

As is obvious from the above, Yates worked closely with the Bureau of Land Management in drilling this well. However, it was not Yates Petroleum Corporation's intention to ignore or otherwise violate any of the rules of the Oil Conservation Division. We believed both the BLM and OCD were aware of what was being done on this well.

The extent to which this well has been operated outside OCD rules is absolutely unintentional. As you are aware, applications are pending before your agency which could be immediately approved thereby bringing this well into full compliance with OCD rules. If administrative approval is not available, the matter is scheduled for hearing on March 7th and that application should be approved soon thereafter.

We would ask you to consider the facts of this letter and my letter of February 8th, determination whether or not this well should be shut in. We submit that permitting the well to continue to produce in view of these facts and the pending applications before the Division is reasonable under these circumstances.

Very truly yours,

Sulian & And

WILLIAM F. CARR ATTORNEY FOR YATES PETROLEUM CORPORATION WFC:mlh Enclosure cc: Mr. Randy Patterson



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION 2040 S. PACHECO SANTA FE, NEW MEXICO 87505 (505) 827-7131

February 9, 1996

Mr. Randy Patterson Yates Petroleum Corporation 105 South 4th Artesia, New Mexico 88210

Re: Shut In Order for Zinnia Federal Unit No. 1 (E-27-20S-29E) Eddy County, New Mexico

Dear Mr. Patterson:

The Oil Conservation Division (OCD), pursuant to the New Mexico Oil and Gas Act, has adopted rules regulating the drilling, production and sale of oil and gas. These rules require prior approval before certain operations occur. Violation of these rules may result in fines or penalties.

The drilling, production and sale of oil and gas from the Zinnia Federal Unit Well No. 1 prior to OCD approval violated or continue to violate OCD Rules 104, 111, 503, 504(B), 801 and 1104.

We have received the letter dated February 8, 1996, from Mr. Bill Carr regarding this well and the explanation for non-compliance with OCD Rules; however, we request a further explanation as to why you believe the Zinnia Federal Well No. 1 should not be shut in immediately and why no additional sales of product should be made until all required OCD approvals are obtained. Whether or not an oversight occurred, operations should still not be conducted prior to OCD approval. Please respond by February 16, 1996

Sincerely, William J. LeM Director WJL/sm

CAMPBELL, CARR & BERGE, P.A.

LAWYERS

MICHAEL B. CAMPBELL WILLIAM F. CARR BRADFORD C. BERGE

MICHAEL H. FELDEWERT TANNIS L. FOX TANYA M. TRUJILLO PAUL R. OWEN JACK M. CAMPBELL OF COUNSEL JEFFERSON PLACE SUITE I - 110 NORTH GUADALUPE POST OFFICE BOX 2208 SANTA FE, NEW MEXICO 87504-2208 TELEPHONE: (505) 988-4421 TELECOPIER: (505) 983-6043

February 8, 1996

HAND-DELIVERED

William J. LeMay, Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources 2040 South Pacheco Street Santa Fe, New Mexico 87505

Re: Application for Administrative Approval of Unorthodox Bottomhole Well Locations and for Directional Drilling, Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation ("Yates") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F(2) adopted on January 18, 1996, of the following unorthodox bottomhole well locations for its Zinnia Federal Unit Well No. 1 which has been drilled at a surface location 1,980 feet from the North line and 910 feet from the West line of Section 27, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico:

- (a) in the Strawn formation, East Burton Flat-Strawn Gas Pool, 2,065 feet from the North line and 2,480 feet from the West line of said Section 27 at a measured depth of 10,935 feet;
- (b) in the Wolfcamp formation, 2,055 feet from the North line and 2,277 feet from the West line of said Section 27 at a measured depth of 9,870 feet; and
- (c) in the Morrow formation 2,093 feet from the North line and 2,542 feet from the West line of said Section 27 at a measured depth of 11,942 feet.

William J. LeMay, Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources February 8, 1996 Page 2

The bottomhole in the Strawn formation is necessary for geological reasons. As shown on the Isopach Map, attached hereto as Exhibit A, the bottomhole location in the Strawn A porosity zone is necessary to maximize the porosity thickness penetrated by the well. The bottomhole location will encounter ten feet more porosity of 3% or greater than a well drilled as a straight hole at this location.

This bottomhole location cannot be drilled with a straight hole due to its being within the Potash Area as shown on the plat attached hereto as Exhibit B. A plat of the spacing unit showing the surface and bottomhole locations for the Zinnia Federal Unit No. 1 is attached hereto as Exhibit C.

The unorthodox location in the Wolfcamp is the result of the recompletion of the directional well drilled to the unorthodox bottomhole location in the Strawn formation and the unorthodox location in the Morrow formation was the result of continuing the drilling after penetrating the Strawn formation to enable Yates to test the Morrow formation.

Yates Petroleum Corporation also seeks administrative approval pursuant to the provisions of Rule 111 (C) of the directional drilling of the Zinnia Federal Unit No. 1 Well from a surface location 1,980 feet from the North line and 910 feet from the West line to a bottomhole location in the Morrow formation 2,093 feet from the North line and 2,542 feet from the West line of said Section 27. The surface location for the well was not a satisfactory drill site due to its being in the Potash Area, as shown on Exhibit B, attached hereto, and administrative approval of the bottomhole locations are authorized by Rule 104.

This well is located within the Zinnia Federal Unit and the unorthodox locations do not encroach on any immediately adjacent existing spacing units in the same Strawn or Wolfcamp pools and/or formations. Therefore, since Yates is the operator of all adjoining spacing units, there are no affected parties to whom notification of this application is required to be made in accordance with Rule 1207 (A) (5).

William J. LeMay, Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources February 8, 1996 Page 3

Your attention to this request is appreciated.

Very truly yours,

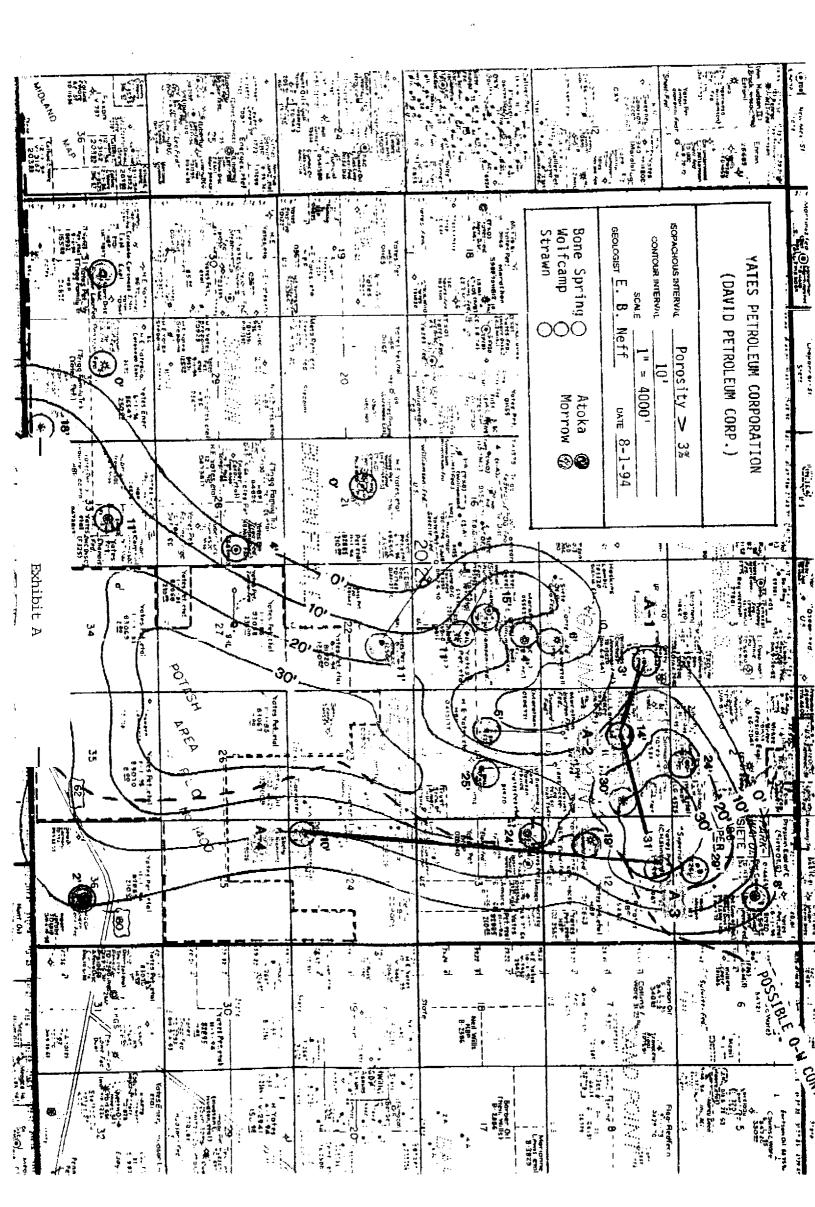
Lillian A

WILLIAM F. CARR ATTORNEY FOR YATES PETROLEUM CORPORATION

WFC:mlh Enclosures

 cc: Mr. Tim Gum, District Supervisor Oil Conservation Division District II
 Post Office Drawer DD Artesia, NM 88210

> Ms. Janet Richardson Yates Petroleum Corporation 105 South Fourth Street Artesia, NM 88210



J.C. Will Mobili (TXO) J.C. Will Somerer End	liam- dl (TXO) Getty yr Nores Petric H.S. al (R.E. Conter, et al (1980) 444-74	linkard) votes - tres ret. Several (C.H.Stinkgrd) - 10 - 15 (Stee)	t. J3 + 9 / Fortson Oil				
TX0 O366437 Morrow Disc. Marathan (TX0) 3'1'7' 25 Mil 0556230 0556230 1'533 Mackenzie C.5:29:73 0556230 0556230 1 Cook ertol 0 E P Complexity 1 1 Cook ertol 0 556230 0556230 1 Cook ertol 0 E P Complexity E P Complexity 1 Cook ertol 0 Control 0 E P Complexity	Itiam- al (TX0) Offyr Strate Price (CH.S) al (R.E. Canter, eta) (R.E. Canter, eta) (R.E. Canter, eta) (R.E. Canter, eta) 30 MBP (R.E. Canter, eta) (R.E. Canter, eta) (R.E. Canter, eta) (R.E. Canter, eta) 30 MBP (R.E. Canter, eta) 30 Ray Westall (R.E. Canter, eta)	CH.Sinkgroup 101 -	Tasse 7 Collins 6 Tonsa				
Tig and Marathon	10 (0 (0/A 6.8.64) J.L. Lamb, Jr. 10 (0/A 6.8.64) McKee	2.5 Mil. 2 Shill II Vickee I2	BP: 11 39 41 51 7 koroenderf Pet. etal 39 41 51 7 koroenderf				
	BS0 Disc. Siete "Canter Fed." Grig W(R.Westall Fed. Grid Fed. () (P/B) "Site of the fed. Site of the fed. () () () () () () () () () () () () ()	Zid Fed. Torse Vates Pet, etai Heskins KG5 HBCS/	And Prich				
KerseyECo Yores Marathon I GY 1-X Samedar	Marathan S(TXO) (Marathan)	U.S DIAR 23-61 > DIAFC IIS	10313550				
TOG FRE TOG	Marathon 0555290 (Bn. Spr.) ormson Yates Pet. (TKO) (Did d. Gazeller For., Vulliamson Fed. westall) (Str Disc. Siete (Siete) (AMG * M Hinton (Str Disc.) Siete (Siete) (AMG * M Hinton (Str Disc.) (Marathon) (Str Disc.) (Str Disc.) (Marathon) (Str Disc.) (Str Disc.) (Marathon) (Str Disc.) (Str Disc.) (Marathon) (Str Disc.) (Str Disc	US Diamond 1 Corr - BHL Yates Pet Amoco Rowson Toilog - State Vates Pet Charles - State Biezo S Bell	D/4 9:27:64 5 Yartes 284 6 Yartes 284 10:1-94 8 10:1-94 8 2885 10:1-94 10:1-9				
2Mill	16.0 Huron-o. * williamson-Fed. 911 Fed." Ff8.72 15 - FT 2 Williamson-Fed. 15 - FT 15 - 15 - - FT 2 Williamson-Fed." 15 - - FT 915 - 516 84L Yates - - FT 916 - 518 Pet, etal -	14 T(1400)	39.22 3 18 39.22 3 18 HBP B ² 2386				
Fed." U.S.	20 29	ATTENT Servior 1/1805 1 Serving	Face a				
HBP V(s) C Vates Petch Vates et al 10175 7 1 Coronado Doll	1155 11-36 1-36 7074 544 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1074 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1077 1076 1076 1077 1076	Tidewater Dooley Tidewater	ty H.E. Yates Nevi Walls Y BP 12:1:95 Nevi Walls Y				
нес м/2 (УСССА) нес м/2 (УССА) нес м/	102900	Getty 211-1:60 41					
al Meso Patrilere)	10 10 10 222 ↓ 08 Yates Pet.etal B 1 24 0 01250 22 9 1250 25	Dooley B:A water					
123 Tes (1A 10 - 23 - 52		us. 1 Nortil iconforme Ojac. Burger 16.7 Mil. Deciley 200 ry 25	34,62 Amoco 191315 Bell - 377 51016 3425				
	Yates Pet, etal Yates Pet, etal Yates Pet, etal Yates Pet, etal Yates Pet, etal Yates Pet, etal Page B3067 Yates Pet, etal Page	Getiy Oll S+23-612) 023008 Getty Oll 11-1-84	Amoco V. H. W. IS 8 - 11 - 77 H BP * 2647 B 2386 39 12 70425 B 2386				
A Le votes The H.E votes eta H.E. vo	О П — О ВИL П 2- Л-Т- 4 (мо) ОГГ. М 27	029000	state 39 92 3t 30				
Yotes Pet Bending and Barry States Pet	rigg Yates Ret, etal	PLO NO 1400	$\frac{11 + 94}{92095}$ $\frac{100}{700}$				
Image: Speed of the s	230 00 US	Vates Pet, etal	Trigg-Fed TO 2083 10 5 04 3 4 463 49:10 1 4 10 10 10 10 1 4				
Oracle 96721 86547 14124 6 0346 Comppeti 25000 ruber Corp 1	mason mason nuss inac B3069 ises ites Yates Pet. Yates Pet.	83070 800 21000	HO Pennizei and 1 22600				
Vates Pet // Vates Pet // 33 Vates Met // Vates Pet // 33 Vates Met // Vates Pet // Pouline i. gg et al. et al (rs) (Vates Pet // Pouline i. gg et al. et al (rs) Pouline i. gg et al. et al	d. SDATTER.	35 <u>62</u> 36 * '5	TO 12590 (MOT 2MIL) MA - 16, 74 PA 10, 560 PA 10, 560 PA 10, 560 Come - For Duol Come - For Come - For Duol Come - For Come - F				
Huber Corp. Huber Corp. From 4500 Torrs inc. In Mins. 100 Chomos Str. C. 100 100 100 100 100 100 100 10	us <u>Unit</u> <u>ypc</u> u	Soto Oil	weger 70.36 A H A Yates Jorobs - 70.36 A Trigg TD Bis - 70 Trigg TD Bis - 70 Trig TD Bis - 70 Trig TD Bis - 70 Trig				
the Black Tanger of the start o	Boss Ent (1) 101 101 101 312101 312101 71300 71300 Boss Ent (1) 101 101 312101 71300 71300 Bichardson Oil)	11510 - 2167 - 2167 - 5778 - 2014)	135 % 2135.63 135 6; 135 53, 2135 if Oil Meadob % Mead				
060572 10 11 11 11 12 12 12 12 12 12 12 12 12 12	8 B 103 Rc	200 Bettis Bros Bode 5 6 Demer Oil (HNG) 26 BBD (BAD) Golden	+ + (KK Mor 5568.014 90/7/13. 2568.014 90// 2568.014				
5 15 16 5.R till 144 15 5.R till 144	ddy tecolatest	2	Harris) Hudson 1/3 Horris Herris Herr				
1 95 1 95 1	C + 1 C Pro (1000 C + 1) 0 C 9 T 0 7(2) (Pro) - 512 	Sodo of Were to					
	Son O(I) H 2027 Dual Disc 23 Antona Jawii (PR (Doss)) yon (Big Tagy ut-	Golden Lone Fed " Barb.Hannifin	Fren JA 200-201-Y Enzinger JA 200-201-Y T02368 Horris 0/44-21-56 Fee				
nt Richercson Oil Richardson Oil Richardson Oil	7 61 11 C 128 0129 Thru Line Inc. etal 12	56366 Collins' Collins' To 6850	S - U.S - U.S - U.S				
SS (Bactody Univ Bactody Univ BC (Bactody Univ	Exhibit B	70060 CR368 S.R. bass ThruLine.inc. erol にいた。 7037 ダニュア	S.R.Boss, BossEnt y ⁷³ Richardsin Thru Line Inc., etal 0505 yt Richardsin 16 Anii L. 60() 18 State HBP 26 State 18 Sta				
B. 5.R. [Richard- B. Bass,etal] Bass, isonOil P.R. Bass,etal B.D. Thru Thru 10-1:60 (Exc. 233)55		িল⊂ নুহায়ে য	Eddu " Osu				
L Solph Nix, S/R etai HB/P (G/g H6/P BR) S(C-	Zinnia Federal Unit #1		Bass Ent Bass Ent Richandyin's Bass Ent Society Society Bass Ent Bass Bass Bass Ent Bass Bass Bass Ent Bass Bass Bass Bass Bass Bass Bass Bass Bass				
Sign Lesses 1 1933 Lesses Surface Location: 1 0801 EAU & add Eau							
Bottom Hole Location: 1,980' FNL & 2,405' FEL							
Patrician Oil	etal 1 200 92 (Richardson Thru Line Inc., etal 7 6 (1 - City) 92 (Richardson Thru Line Inc., etal 7	ן לעיד. גער די גער אוני גער גער גער גער גער גער גער גער גער גער	B Golden red 17-				

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

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

State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator						Lease						W	ell No.	
YATES	PETROL	EUM COR	PORATIO	N			ZINN	LA "AMZ"	FEDE	RAL.		ĺ	1	
Unit Letter	Section		Township			Range			••••••		County	·		
E		27	2	០ ទ០ប	TH		29 E	AST		NMPM	}	EDDY	COUNTY,	NM
Actual Footage Loc	auon of We	ili: SC	RFACE LOC	ATION				<u>-</u>		14041114				
1980	feet from	the	NORTH		line and		910		fe	et from	the	WEST	line	
Ground level Elev.		Producine	Formation			Pool						ĪD	edicated Acres	age:
3273													320	Acres
1. Outlin	ae the acrea	ge dedicated	to the subjec	well by	colored pe	ncii or ha	chure m:	it's on the pia	t below.					
7.16			• • • • • •											
2. If mo	re than one	icase is ded	icated to the v	vell, outlin	ie each an	d identify	the own	enship thereof	(both as t	lo worki	ng intere	st and roy	(alty).	
3. If mo	re than one	lease of diff	ferent ownersi	up is dedi	cated to th	e weil, h	ave the in	nterest of all o	where bee		lidated b	v commu	nitization.	
	auon, force			•	_							,		
	Yes		No	If answer	is "yes" ty	pe of con	nsolidatio	n						
			s and tract des	conpuosa v	which hav	e actually	been co	asolidated. (L	Jse revers	e side o	r			
	m if neccess wable will b		to the well un	il all inter	ette have	heen con	bidated	(by communit	ization II	73110	n formed	moding		<u> </u>
			minating such								u, 101000	. howing?		
														10.70
9	1	1					1						R CERTIF	
		I											ertify that t in true and	
		İ		ļ			Ì						dge and belief.	•
		i									, i	1		$\left(\right)$
		i									Signatur	172		$\overline{\mathcal{M}}$
	980	1		1			1				X	ent)eulu	₩.
	6	1		1							Printed I	Name	· · · · ·	di
		·/						 			Ke	n Be	cardemo	KI
											Position			
											Lo	,ndm	M	
		ļ									Compan			
	à							ł			Y	411 +	let. Long	
910'						ом но.	LE LI	PCATIONS			Date	2	1.0.1	
		1				LE CAN	1P 20	55 FNL+	-2277	Ful		<u> </u>	1-14	
		1				DREON	20	43 FNL+	- 2542	FAL	12	RVEY	OR CERTI	FICATIC
		1						Ì			I here	by certify	that the wei	I location
		İ						Ì					as plotted fro	
		i		1				i					made by m	
		i						i		ł			i that the si best of my	
											belief.		••••••••	
		1						1						
i		1								1		Surveyed		
				•+•				+				RUARY		
		ļ						1			Profe		NENO P	\sim
								1		1	7	EN	THEXICO	
								ļ		1	1	151		
		I		1				•			, 1æ		- مار مراجع) 🗂
				- 	C		_				版	X X		CINELE
			Exi	nibit	C		-			!	<u>Un</u>		www.m	5/
•								1				PESPS		2
0 330 66	0 990	1320 165	0 1980 23	10 2640	1	2000	1500	1000	500	0				