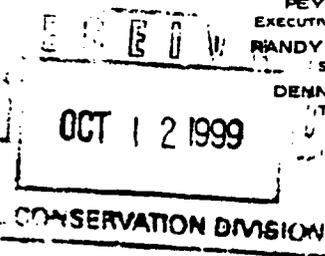


MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



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

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



October 7, 1999

Mr. Michael Stogner  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87508

CERTIFIED MAIL  
Return Receipt Requested

RE: Application for Unorthodox Strawn Location  
C.O. Jones ATK St Com #1  
South Big Dog Strawn Pool  
N/2SW/4 Section 11, T16S, R35E  
Lea County, New Mexico

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for an unorthodox Strawn oil well, the C.O. Jones ATK St Com #1. The well is located on State of New Mexico minerals, 1330' FSL and 1080' FWL of Section 11, Township 16 South, Range 35 East. The well will be drilled to a total depth of 12,650' into the Mississippian Lime. This location is orthodox for an Atoka/Morrow gas well location but is unorthodox for a Strawn oil well location. If the well is completed as a Strawn oil well we will dedicate the N/2SW/4 of Section 11.

Yates Petroleum Corporation operates the Strawn location to the south (S/2SW/4, Section 11) which is being encroached upon.

Please find enclosed Forms C-101, C102 and a land plat.

Please call me at (505) 748-4351 if you need additional information.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock  
Landman

RB:bn  
enclosure(s)

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12340 Exhibit No. 1  
Submitted by:  
David Petroleum Corporation  
Hearing Date: February 3, 2000



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

October 28, 1999

**Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210**

**Attention: Robert Bullock**

**Re: C. O. Jones "ATK" State Com. Well No. 1  
API No. 30-025-34714  
1330' FSL & 1080' FWL (Unit L) of Section 11,  
Township 16 South, Range 35 East, NMPM, Lea  
County, New Mexico.**

Dear Mr. Bullock:

The Division's records indicate that the NW/4 SW/4 of Section 11 is situated between the Northwest Shoe Bar-Strawn Pool, which is spaced on 40-acre units and governed under Division Rule 104.B, and the South Big Dog-Strawn Pool, which is spaced on 80-acre units and governed under special pools set forth in Division Order No. R-9722, as amended.

In either case your application dated October 7, 1999 is **denied**.

The placement of this well within the Strawn formation at the proposed location is unjustified and unwarranted. From the information provided, it appears that there are locations available within Unit "L" that meet both requirements for the deeper 320-acre gas spacing pools/formations and the Strawn interval. Spacing and the placement of wells within units either by the Division's statewide rules or by special pool rules are in place so as to promote the orderly development of oil and gas resources.

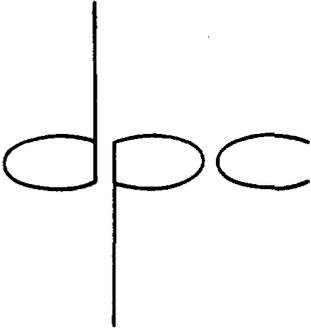
Should Yates Petroleum Corporation wish to pursue this matter further, a hearing will be required.

Sincerely,

Michael E. Stogner  
Engineer/Chief Hearing Officer

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe  
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe  
Kathy Valdes, NMOCD - Santa Fe  
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe



December 17, 1999

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: Application of David Petroleum Corp. for Administrative Approval of an Unorthodox Well Location for its C. O. Jones "ATK" State Com. Well No. 1, to be located 1330 FSL and 1150 FWL, Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico

Dear Ms. Wrotenbery:

David Petroleum Corp. hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F adopted on August 12, 1999, of an unorthodox well location for its C. O. Jones "ATK" State Com. Well No. 1 in the Strawn formation at an unorthodox well location 1330 feet FSL and 1150 FWL, Section 11, T-16-S, R-35-E, NMPM, Lea County, New Mexico. This will be drilled to a total depth of approximately 12,650 feet to the Mississippian lime. The location will be orthodox for an Atoka/Morrow gas well location, but is unorthodox for a Strawn oil well. A standard 80-acre spacing and proration unit comprised of the N/2SW/4, Section 11 will be dedicated to the well in the Strawn.

The well will test a small anomaly in the Strawn formation and will be completed in the South Big Dog-Strawn Pool which is governed by Special Rules and Regulations adopted by Division Order Nos. R-9722-C and R-10448-A which provide for wells to be located on a standard unit containing 80-acres (Rule 2) with wells to be located no closer than 330 feet to any quarter-quarter or subdivision inner boundary (Rule 4).

An administrative application seeking approval of this location was previously filed by Yates Petroleum Corporation and was denied by the Division. Our attorney subsequently reviewed this matter with Mr. Stogner and, based on that conversation, we are resubmitting this application with additional supporting information.

This proposed unorthodox well location is only 10 feet from the southern boundary of the dedicated 80-acre spacing unit in the Strawn formation. This unorthodox location is required by geological conditions. The well is proposed to be at the top of a small geologic anomaly in the Strawn formation which has been identified by seismic information. Placement of the well at this unorthodox well location should result in the well being able to efficiently produce the reserves in this reservoir without the necessity of an unnecessary additional well in the S/2SW/4 of this section.

**DAVID PETROLEUM CORP.**  
EDWARD N. DAVID, C.P.L.  
VICE PRESIDENT  
Off. 505/622-8850  
Fax: 505/623-1801  
davpetro@dtm.com  
Res. 505/624-0558  
116 West First  
Roswell, New Mexico 88201

Lori Wrotenbery, Director  
Oil Conservation Division  
December 17, 1999  
Page 2

Attached hereto as Exhibit "A" is a plat showing the subject spacing unit and the proposed unorthodox well location and adjoining spacing units and wells. The SW/4 of Section 11 is covered by a single State of New Mexico Oil and Gas Lease and the ownership (working interest and royalty interest) is 100% common throughout the SW/4 of this section. Accordingly, the correlative rights of no interest owner will be adversely impacted by a well at this proposed unorthodox location and there are no affected persons as defined in Rule 1207.A to who notice of this application should be provided.

A geological explanation for this unorthodox well location and attached isochron map is attached as Exhibit "B" This exhibit shows that the unorthodox location is supported by the geology of the Strawn formation. If the Division desires to review the underlying seismic data, David Petroleum will be happy to come to Santa Fe and review this information with you.

Your attention to this application is appreciated.

Yours very truly,



Bill Owen  
Land Manager

Enclosures



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

January 3, 2000

**David Petroleum Corp.  
116 West First  
Roswell, New Mexico 88201**

**Attention: Bill Owen  
Land Manager**

**Re: C. O. Jones "ATK" State Com. Well No. 1  
API No. 30-025-34714  
1330' FSL & 1080' FWL (Unit L) of Section 11,  
Township 16 South, Range 35 East, NMPM, Lea  
County, New Mexico.**

Dear Mr. Owen:

On October 7, 1999 Yates Petroleum Corporation filed an application seeking an unorthodox oil well location in the Strawn formation for this same well. Please refer to my reply letter dated October 28, 1999 (see copy attached). Per paragraph four of this letter, which states, "*Should Yates Petroleum Corporation wish to pursue this matter further, a hearing will be required*", your application will be docketed for hearing before a Division Examiner scheduled for February 3, 2000.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner".

Michael E. Stogner  
Engineer/Chief Hearing Officer

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe  
Kathy Valdes, NMOCD - Santa Fe  
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe