-BEFORE THE OIL CONSERVATION DIVISION NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

AMENDED APPLICATION OF YATES PETROLEUM CORPORATION FOR SIMULTANEOUS DEDICATION, CHAVES COUNTY, NEW MEXICO.

CASE NO. 13008

AFFIDAVIT

STATE OF NEW MEXICO)) ss. COUNTY OF SANTA FE)

William F. Carr, attorney in fact and authorized representative of Yates Petroleum Corporation, the Applicant herein, being first duly sworn, upon oath, states that notice has been given to all interested persons entitled to receive notice of this application under Oil Conservation Division rules, and that notice has been given at the addresses shown on Exhibit "A" attached hereto.

SUBSCRIBED AND SWORN to before me this 21st day of February 2003.

My Commission Expires:

APRIL 26,200 3

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13008</u> Exhibit No. 3 Submitted by: <u>YATES PETROLEUM CORPORATION</u> Hearing Date: <u>March 27, 2003</u>

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HOLLAND & HART LLP

DENVER • ASPEN BOULDER • COLORADO SPRINGS DENVER TECH CENTER BILLINGS • BOISE CHEYENNE • JACKSON HOLE SALT LAKE CITY • SANTA FE WASHINGTON, D.C. P.O. BOX 2208 SANTA FE, NEW MEXICO 87504-2208 110 NORTH GUADALUPE, SUITE 1 SANTA FE, NEW MEXICO 87501-6525 TELEPHONE (505) 988-4421 FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

February 20, 2003

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS:

Re: Amended Application of Yates Petroleum Corporation for simultaneous dedication, Chaves County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed amended application with the New Mexico Oil Conservation Division seeking an exception to Rule 104.C.(2)(b) to permit the simultaneous dedication of the following wells to a 320-acre standard gas spacing and proration unit comprised of the N/2 of Section 5, Township 10 South, Range 26 East, NMPM: the Quiniela AXQ State Well No. 1 at a standard gas well location in the NW/4 of Section 5; the Quiniela AXQ State Well No. 2 at a standard gas well location 1980 feet from the North and East lines; and the Quiniela AXQ State Well No. 3 at a standard gas well location 660 feet from the North line and 1650 feet from the East line of said Section 5 for production from all formations developed on 320-acre spacing, including but not limited to the Silurian Devonian, Strawn, Cisco and Wolfcamp formations.

This amended application has been set for hearing before a Division Examiner on March 13, 2003. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing at the Oil Conservation Division's Santa Fe Office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

truly yours,

William F. Carr ATTORNEY FOR YATES PETROLEUM CORPORATION

Enc.

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR SIMULTANEOUS DEDICATION, CHAVES COUNTY, NEW MEXICO.

CASE NO. 13008

AMENDED APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an order authorizing the simultaneous dedication of the following wells to an existing 320-acre standard gas spacing unit comprised of N/2 of Section 5, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico in the Silurian Devonian, Strawn, Cisco and Wolfcamp formations:

- A. Quiniela AXQ State Well No. 1 to be drilled at a standard gas well location in the NW/4 of Section 5,
- B. Quiniela AXQ State Well No. 2 (API No. 30-005-63364) located at a standard gas well location 1980 feet from the North and East lines (Unit G), and
- C. Quiniela AXQ State Well No. 3 to be drilled at a standard gas well location 660 feet from the North line and 1650 feet from the East line of Section 5.

In support of its application, Yates states:

1. Yates is the operator of a standard 320-acre spacing unit comprised of the N/2 of Section 5, Township 10 South, Range 26 East, NMPM, Chaves County New Mexico. This spacing unit is currently dedicated in the Quiniela AXQ State Well No. 2 for production from the Wolfcamp formation, Foor Ranch-Wolfcamp Pool, and the Silurian Devonian formation, Undesignated Foor Ranch- Pre-Permian Gas Pool and the Undesignated Southwest Pre-Permian Gas Pool. 2. The N/2 of Section 5 is fault divided so that the existing Quiniela AXQ State Well No. 2 is located in and producing from a fault block that is separate from and not in communication with the remainder of the N/2 of Section 5 in any formation including the Abo Wolfcamp, Cisco, Strawn and Silurian Devonian formations

3. The formations and pools in the N/2 of Section 5 are governed by the acreage and well location requirements of Division Rule 104.C.(2) of the General Rules and Regulations of the Oil Conservation Division which provide in part that:

(A) the initial well on a 320-acre unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary: and

(B) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section on the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

4. Yates seeks an exception to Rule 104.C (2)(b) to permit it to simultaneously dedicate the N/2 of Section 5 to the Quiniela AXQ State Well Nos. 1, 2 and 3 in all formations. The Quiniela AXQ Well Nos. 1 and 3 will produce the reserves from the N/2 of this section except for the acreage drained by the Quiniela AXQ Well No. 2 that is within the fault block in the N/2 of the section and cannot be accessed with the No. 1 and 3. Although the No. 2 and No. 3 wells are in the same quarter section, because of the geologic separation of the productive formations, they will not be in communication with each other.

5. Approval of the simultaneous dedication of the Quiniela AXQ State Well Nos. 1,2 and 3 to the 320-acre gas spacing unit comprised of the N/2 of Section 5 will protect

correlative rights by affording Yates the opportunity to efficiently produce the reserves from this spacing unit in the Silurian Devonian, Strawn, Cisco and Wolfcamp formations which otherwise cannot be efficiently produced.

6. Approval of this amended application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

7. Notice of this amended application has been provided to all affected offset owners in accordance with Oil Conservation Division Rules and Regulations.

WHEREFORE, Yates Petroleum Corporation request that this amended application be set for hearing before an Examiner of the Oil Conservation Division on March 13, 2003 and after notice and hearing as required by law, the Division enter its order granting an exception to Division Rule 104.C.(2)(b) and approving the simultaneous dedication of the existing 320-acre spacing unit comprised of the N/2 of Section 5 to the Quiniela AXQ State Well No. 1 located at a standard gas well location in the NW/4 Section 5, the Quiniela AXQ State Well No. 2 located 1980 feet from the North and East lines of Section 5; and the Quiniela AQX State Well No. 3 located 660 feet from the North line and 1650 feet from the East line of Section 5 in the Silurian Devonian, Cisco and Wolfcamp formations.

Respectfully submitted,

HOLLAND & HART LLP

By: 🔽 William H. Carr

Post Office Box 2208 Santa Fe, New Mexico 87504 Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM CORPORATION.

<u>EXHIBIT A</u>

CASE 13008

APPLICATION OF YATES PETROLEUM CORPORATION FOR SIMULTANEOUS DEDICATION, CHAVES COUNTY, NEW MEXICO.

NOTICE LIST

Chesapeake Energy Corporation P. O. Box 18496 Oklahoma City, Oklahoma 73154

Gothic Production Corporation 6120 S. Yale, Suite 1200 Tulsa Oklahoma 74136

McClellan Oil Corporation P. O. Box 730 Roswell, New Mexico 88202-0730

The Toles Company P. O. Box 1300 Roswell, New Mexico 88202-1300

Randy G. Patterson C/o Yates Petroleum Corporation 105 South Fourth St. Artesia, New Mexico 88210

VALCO, LLC P. O. Box 1090 Roswell, New Mexico 88202-1090

EAKO, LLC P. O. Box 1090 Roswell, New Mexico 88202-1090

CALCO, LLC P. O. Box 1090 Roswell, New Mexico 88202-1090

Allen Oil Company P. O. Box 1538 Roswell, New Mexico 88202-1538

Enerloc Resources, Inc. P. O. Box 1375 Roswell, New Mexico 88202-1375

Carl Engwall, Trustee of the Carl & Ruth Engwall Living Trust dated 1-6-82 P. O. Box 1782 Roswell, New Mexico 88202-1782

Yates Petroleum Corporation 105 South Fourth St. Artesia, New Mexico 88210

B. Raymond Evans 49 Travis Road Tulia, Texas 79088

Elk Oil Company P. O. Box 310 Roswell, New Mexico 88202-0310

S. P. Johnson, III & Barbara J. Johnson, Trustees of the S. P.Johnson, III & Barbara J. Johnson TrustP. O. Box 1641Roswell, New Mexico 88202-1641

PJC Limited Partnership 1409 S. Sunset Roswell, New Mexico 88201

Kastman Oil Company P. O. Box 5930 Lubbock, Texas 79408

Marjorie Cone Kastman, Trustee of the E.P.C. Trust under will of Edna Parks Crawford Kastman Oil Company P. O. Box 5930 Lubbock, Texas 79408

Ira l Elliott 4508 West 14th St. Lubbock, Texas 79416

A.L. Mangum, Jr. 4504 8th Street Lubbock, Texas 79416

Tom P. Stephens, Trustee of the Tom P. Stephens Trust P. O. Box 2546 Fort Worth, Texas 76113-2546

Linda Toles Brown RT 3, Box 224C Walters, Oklahoma 73572

Martha Toles Frost 1321 South 3rd Street Tucumcari, New Mexico 88401

Cynthia Toles 680 East Basse , #234 San Antonio, Texas 78209

John Holland Toles 812 Candlewood Circle New Braunfels, Texas 78130

H. Edward Toles, III, Agent 900 Jackson St. Dallas, Texas 75202-4499

Max Coll P. O. Box EE Santa Fe, New Mexico 87502

Township 9 South, Range 26 East, NMPM Section 32: All

Black Family Partnership, LTD. P. O. Box 50820 Midland, Texas 79710

E & S Petroleum, L.L.C. P. O. Box 2825 Amarillo, Texas 79105-2825

EOG Resources, Inc. P. O. Box 2267 Midland, Texas 79702

Matador E&P Company 8340 Meadow Road, Suite 150 Dallas, Texas 75231 - 3751

Plains Radio Petroleum Co. P. O. Box 11351 Midland, Texas 79702

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

Township 9 South, Range 26 East, NMPM Sec. 33: S/2

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

Township 10 South, Range 26 East, NMPM Section 4: W/2

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

Township 10 South, Range 26 East, NMPM Section 5: S/2

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

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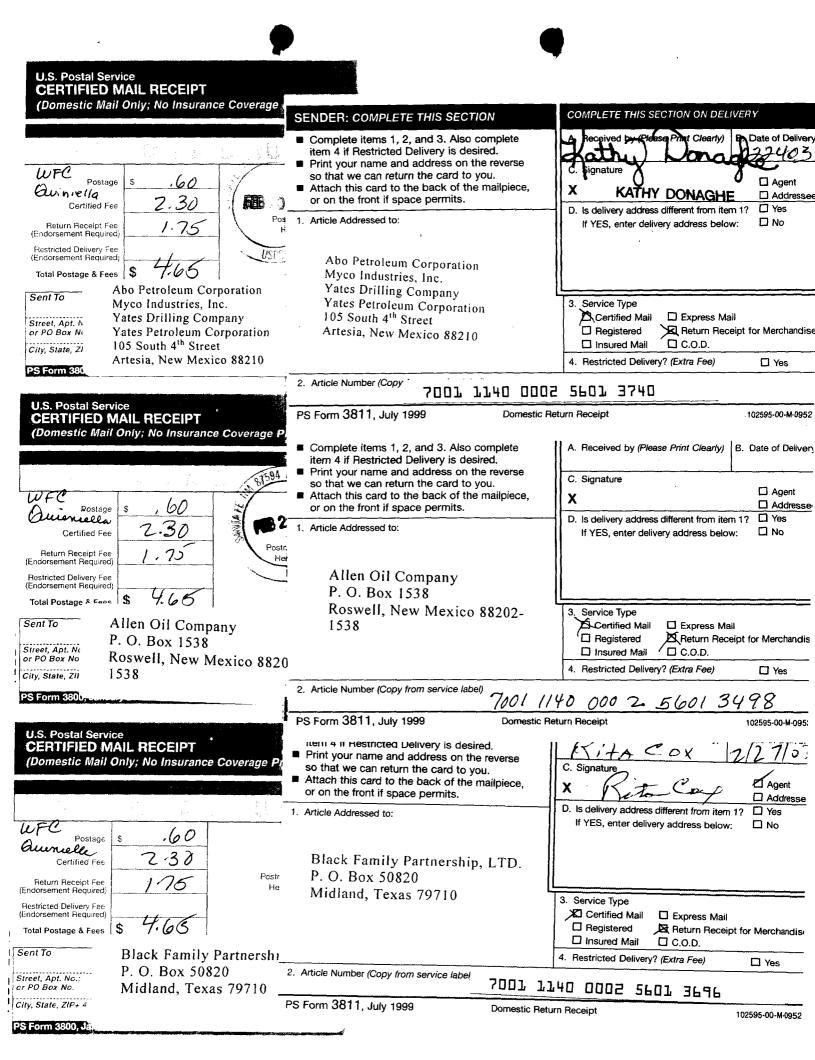
CASE 13008: Amended Application of Yates Petroleum Corporation for simultaneous dedication, Chaves County, New Mexico. Applicant in the above-styled cause seeks an exception to Division Rule 104.C.(2)(b) to permit the simultaneous dedication of the following wells to an existing 320-acre spacing and proration unit for production from the Silurian Devonian, Strawn, Cisco and Wolfcamp formations, comprised of the N/2 of Section 5, Township 10 South, Range 26 East, NMPM:

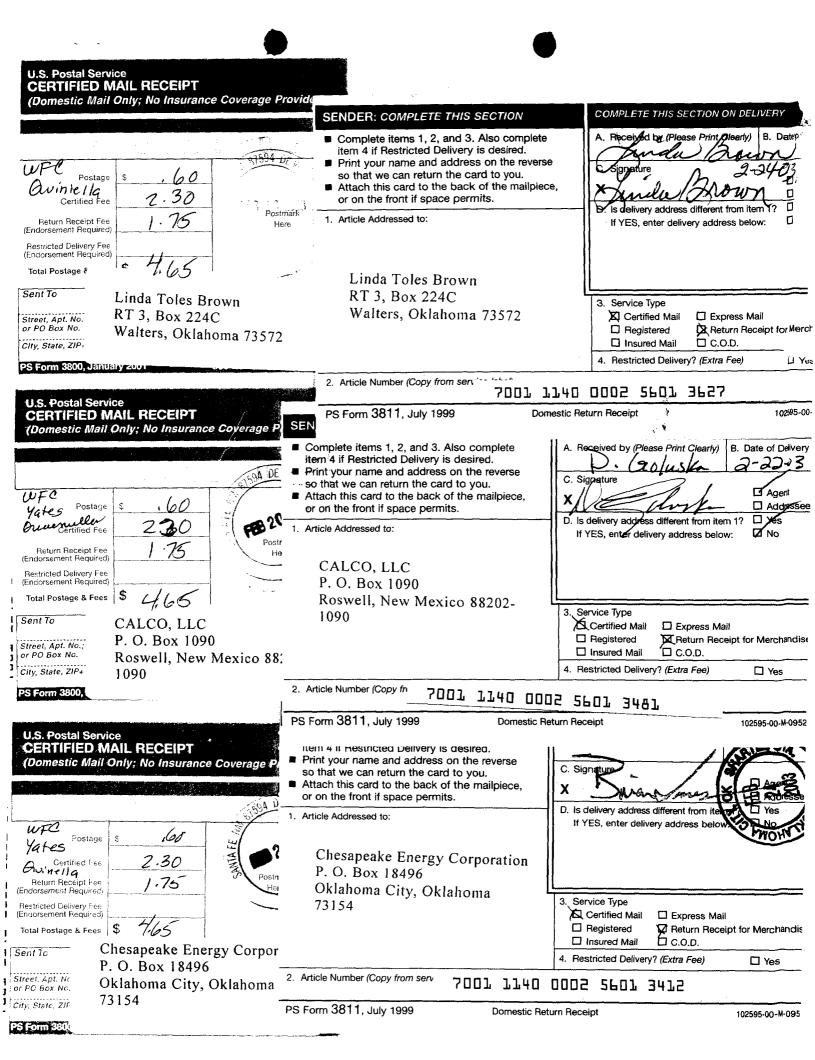
A. Quiniela AXQ State Well No. 1 located at a standard gas well location in the NW/4 of Section 5;

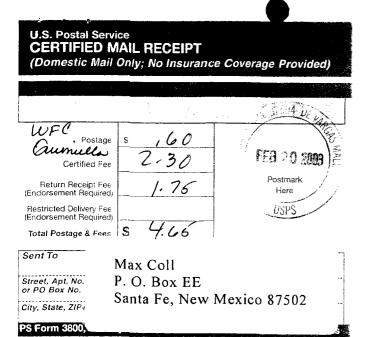
B. Quiniela AXQ State Well No. 2 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 5, and

B. Quiniela AXQ State Well No. 3 located at a standard gas well location 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 5.

Said area is located approximately 17 miles East of Roswell, New Mexico.

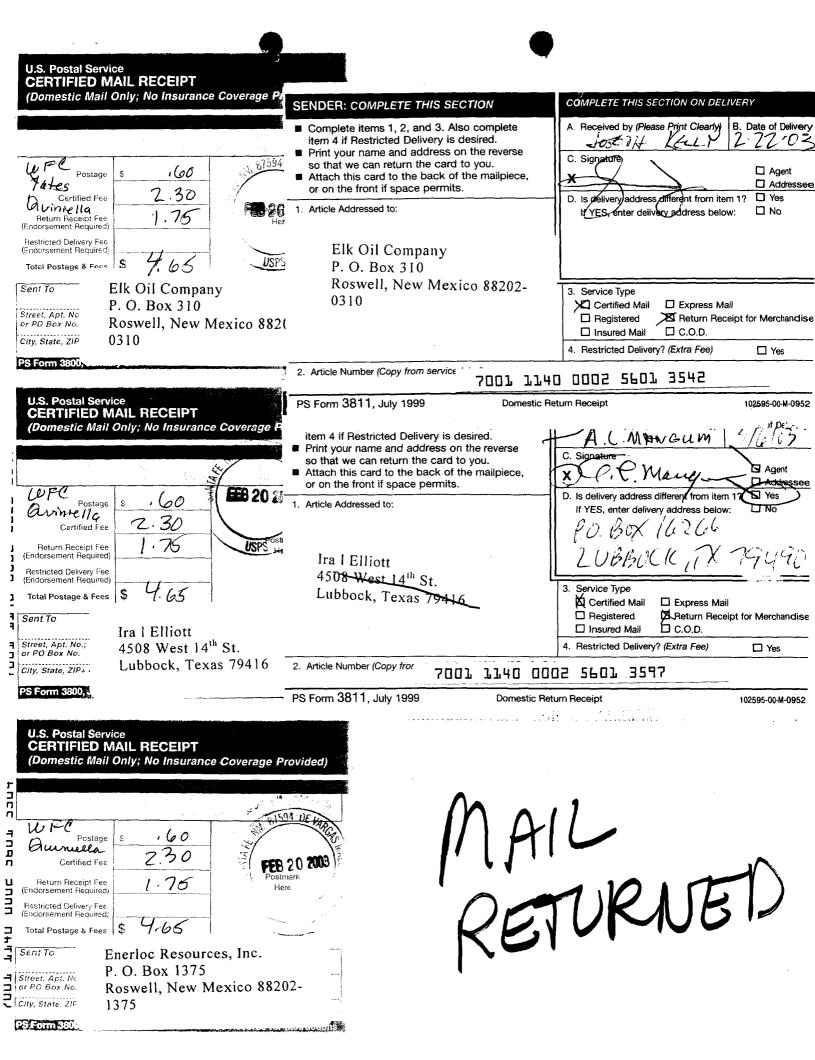


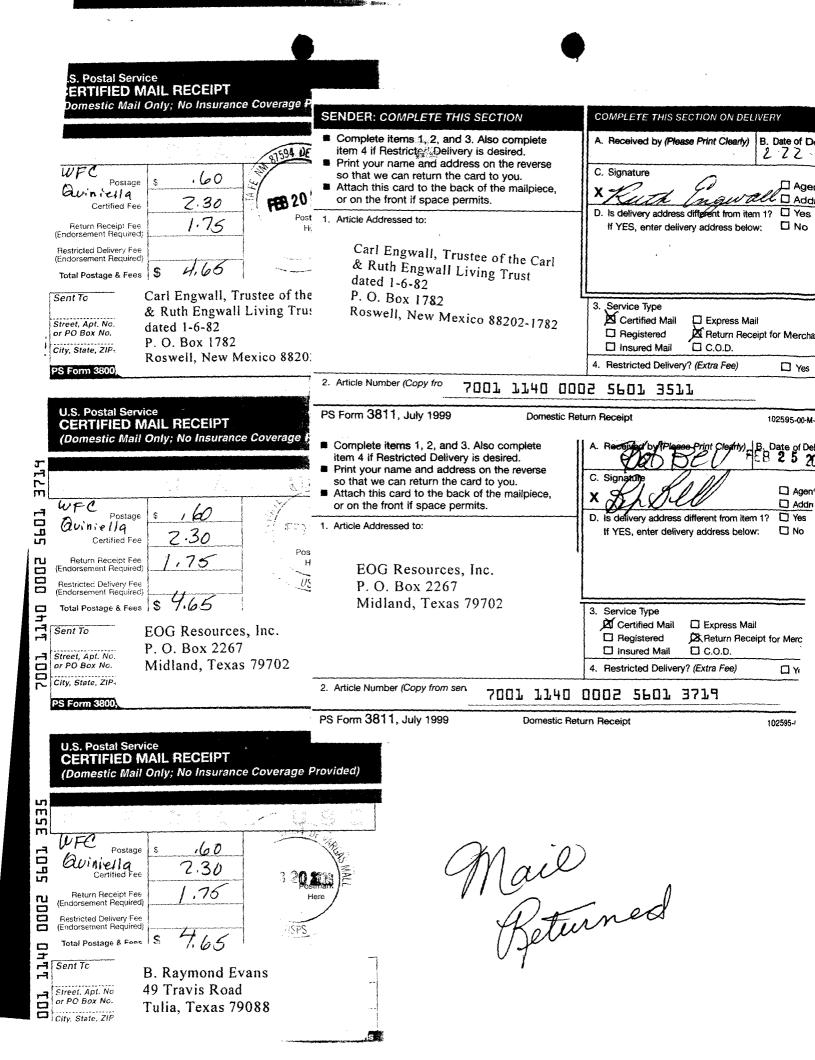


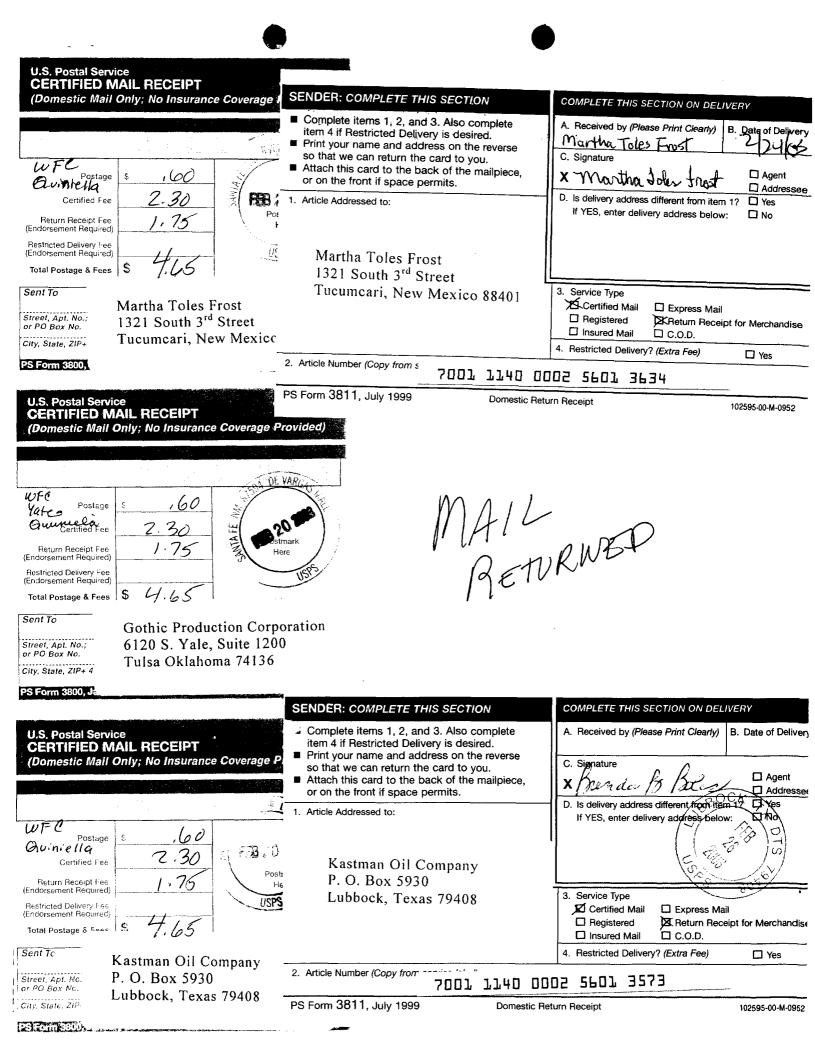


MAIL RETURNED

U.S. Postal Service COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION **CERTIFIED MAIL RECEIPT** (Domestic Mail Only: No Insurance Coverage B. Date of Delivery Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. 35 Print your name and address on the reverse Signature so that we can return the card to you. Agent Agent Attach this card to the back of the mailpiece, Addressee WFC or on the front if space permits. Yes Postage ,60 D. Is delivery address different from item 1? aunielew 1. Article Addressed to: D No FF If YES, enter/delivery address below: 2.30 Certified Fee 1.75 Pos Return Receipt Fee H (Endorsement Required) E & S Petroleum, L.L.C. Restricted Delivery Fee (Endorsement Required) P. O. Box 2825 4.63 Amarillo, Texas 79105-2825 \$ 3. Service Type Total Postage & Fees Certified Mail Express Mail E & S Petroleum, L.L.C. Sent To Return Receipt for Merchandise Registered Insured Mail C.O.D. P. O. Box 2825 Street, Apt. No.; Amarillo, Texas 79105-2 4. Restricted Delivery? (Extra Fee) or PO Box No. Yes City, State, ZIP+ 4 2. Article Number (Copy from se 7001 1140 0002 5601 3702 PS Form 3800, Ja **Domestic Return Receipt** 102595-00-M-0952 PS Form 3811, July 1999 **U.S. Postal Service** Complete tierns 1, 2, and 5. Also complete (Please Print Clearly) B. Date of Delivery Received by CERTIFIED MAIL RECEIPT item 4 if Restricted Delivery is desired. 2-22-23 Print your name and address on the reverse (Domestic Mail Only; No Insurance Coverage C. Signature so that we can return the card to you. Agent Agent Attach this card to the back of the mailpiece, Х Addressee or on the front if space permits. D. Is delivery address different from item 1? C Yes A DE! 1. Article Addressed to: **⊿** No If YES, enter delivery address below: WFC Postage \$ Yates Orunella Certified Fe 444 EAKO, LLC Post P. O. Box 1090 Return Receipt Fee 님ㅎ (Endorsement Required) Roswell, New Mexico 88202-Service Type Restricted Delivery Fee (Endorsement Required) 1090 Certified Mail Express Mail C Registered X Return Receipt for Merchandise Total Postage & Fees \$ Insured Mail ✓□ C.O.D. Sent To EAKO, LLC 4. Restricted Delivery? (Extra Fee) C Yes P. O. Box 1090 2. Article Number (Copy Street, Apt. Nc.: 7001 1140 0002 5601 3474 Roswell, New Mexico 8 or PO Box Nc. City. State. ZIP+ 4 1090 PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952 PS Form 3800, 4

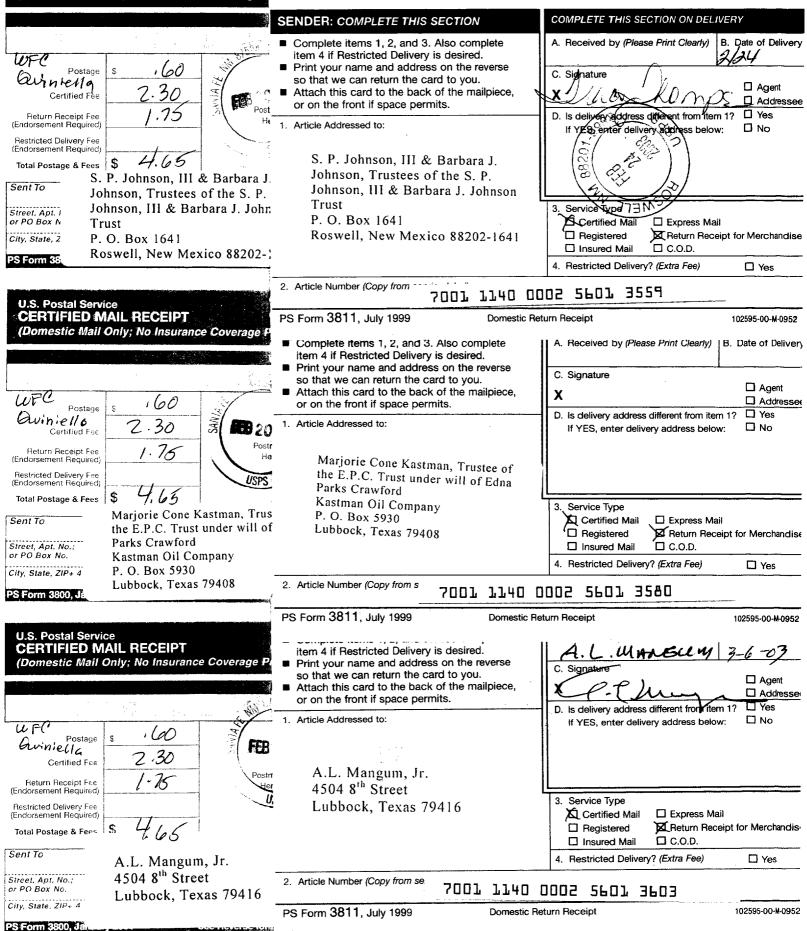


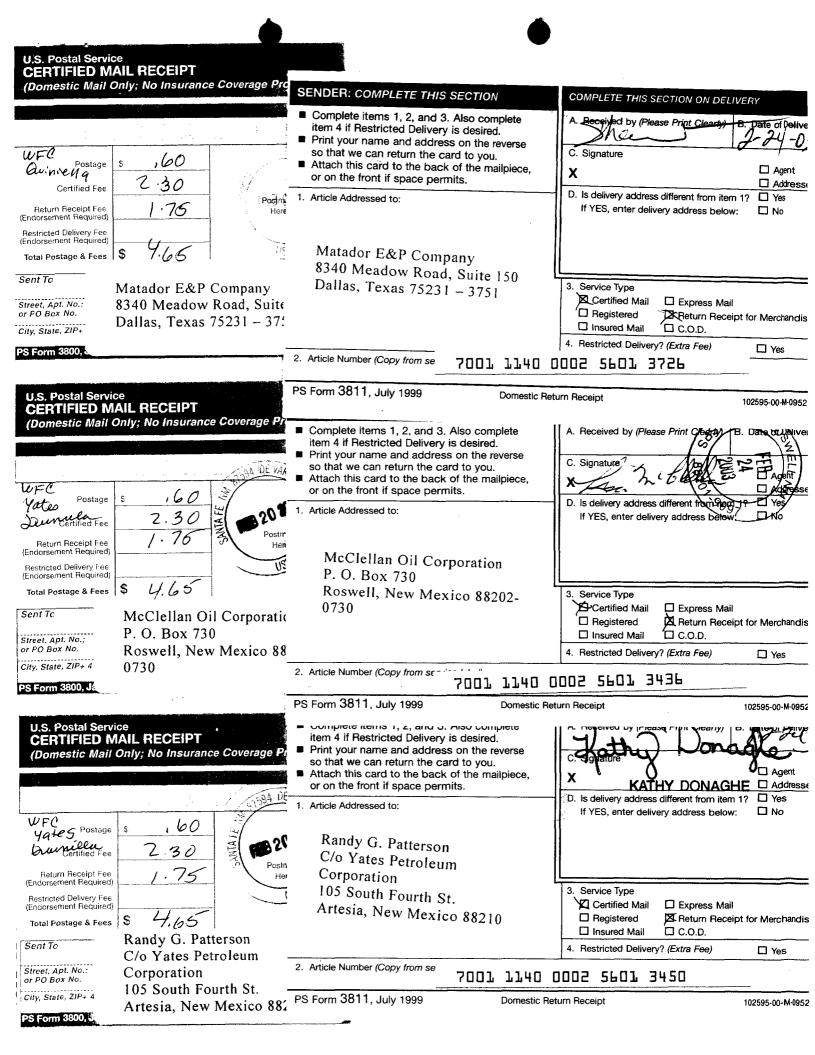


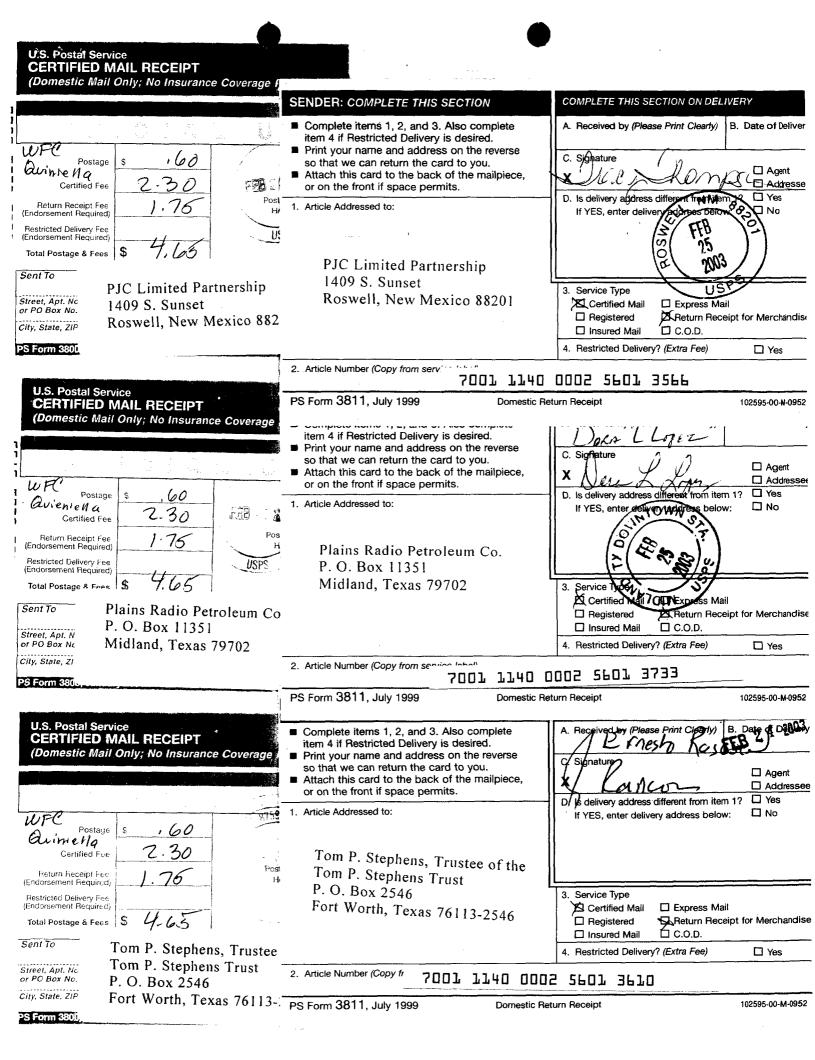


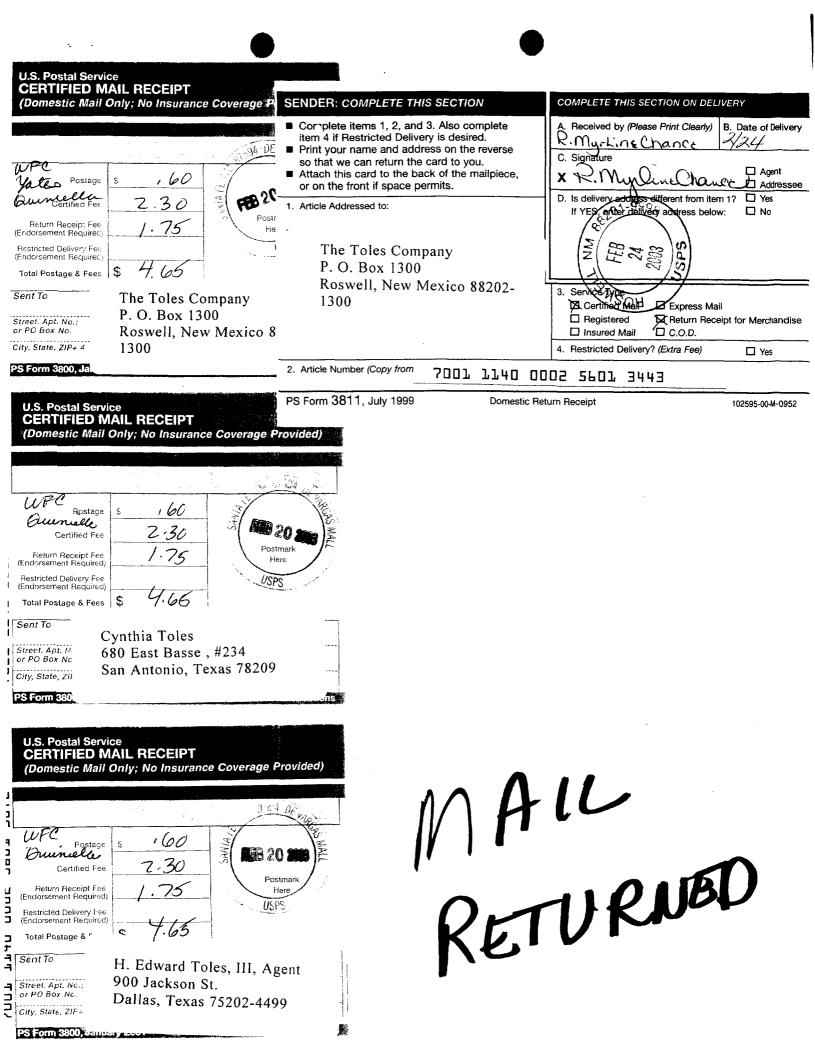


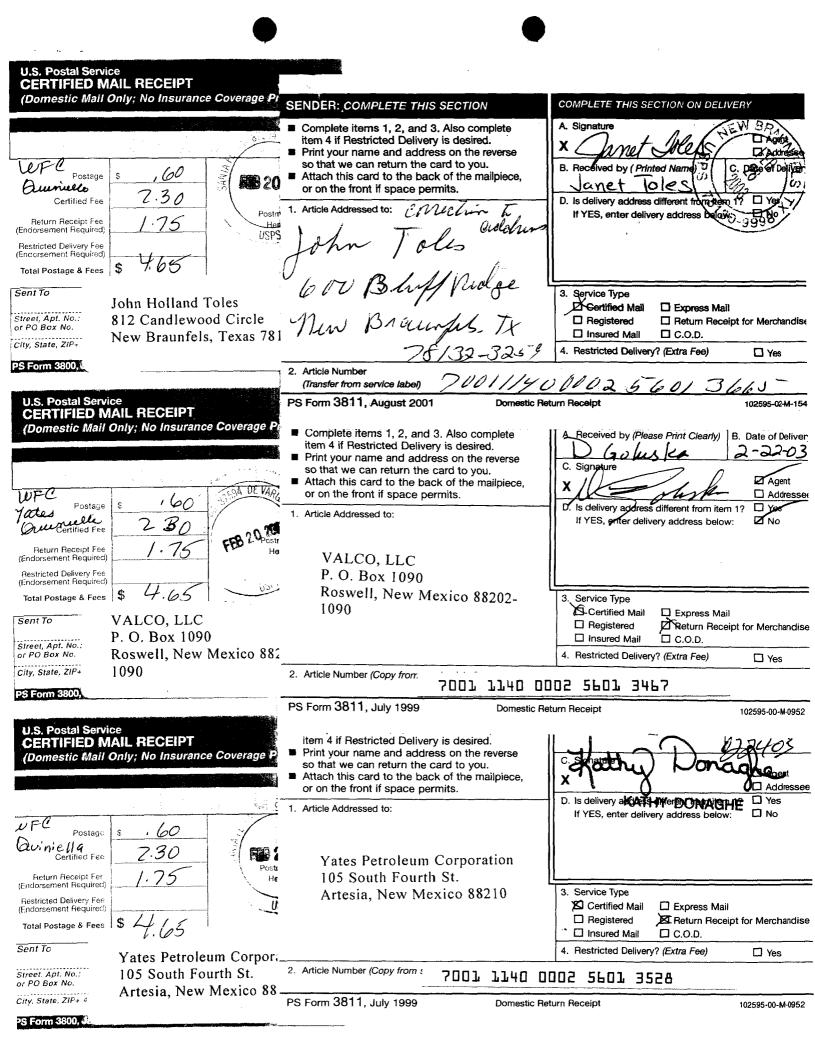
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Track/Confirm - Intranet Item Inquiry Item Number: 7001 1140 0002 5601 3665

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John Holland Toles 812 Candlewood C New Braunfels, Te	ircle	3. Service Type A Certified Mail Express Ma Registered Return Rec Insured Mail C.O.D.	13 CF 13 Z il eipt for Merchandise
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