

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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

February 20, 2004

CERTIFIED MAIL/RETURN RECEIPT

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

Attention: Mr. Michael E. Stogner

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 Pre-Cambrian formation for its proposed Weller BDW State #1 to be drilled at an unorthodox gas well location of 2,500 feet from the South line and 660 feet from the West line (Unit L) of Section 34, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico and to be dedicated to a 320 acre spacing unit consisting of the W/2 of Section 34, and in support states:

- 1) Yates Petroleum Corporation (Yates) is the proposed operator of subject well and is a working interest owner in the W/2 of Section 34. (See Exhibit # 1 and #4)
- 2) Yates proposes to drill its Weller BDW State Com. #1 at an unorthodox gas well location of 2,500 feet from the South line and 660 feet from the West line (Unit L) of Section 34, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico. (See Exhibit # 2)
- 3) The subject well is to be drilled at an unorthodox location in an attempt to drill the best geological location to determine the potential to produce gas from the formations that require a 320 acre spacing unit, including the Siluro-devonian which is the main formation of interest. (See Exhibit # 3 and Exhibit #4)
- 4) In the event the Siluro-devonian is not capable of commercial production in this well, then Yates intends to test all possible oil and gas formations above the Siluro-devonian formation prior to plugging the well. The well location would be

unorthodox for formations that require a 160-acre spacing unit for gas and 40-acre spacing unit for oil.

- 5) The lease on which the well will be drilled is State of New Mexico Lease VA-2088 is composed of 320 acres. The whole lease will be included in the spacing unit dedicated to this well in the W/2 of Sec. 34-T9S-R27E for formations that require a 320 acre spacing unit. For a gas well completed in the SW/4 of Section 34-T9S-R27E requiring 160 acre spacing unit, a 160-acre spacing unit would be formed and for oil wells requiring a 40 acre spacing unit a 40-acre spacing unit in the NW/4SW/4 of Sec. 34-T9S-R27E would be formed.
- 6) The proposed location only encroaches to the interior lease lines of Section 34 and there are no affected persons as defined in Division Rule 19 NMAC 15.14.1207(A)(2) and we have sent notice to all owners of the leasehold. (See Exhibit # 2 and #5)

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

Respectfully submitted,

YATES PETROLEUM CORPORATION



Chuck Moran
Landman

Enclosure(s)

EXHIBIT 1
 Yates Petroleum Corporation
 Weller BDW State #1
 W/2 of Sec. 34-T9S-R27E
 Chaves County, New Mexico
 Unorthodox Location Application

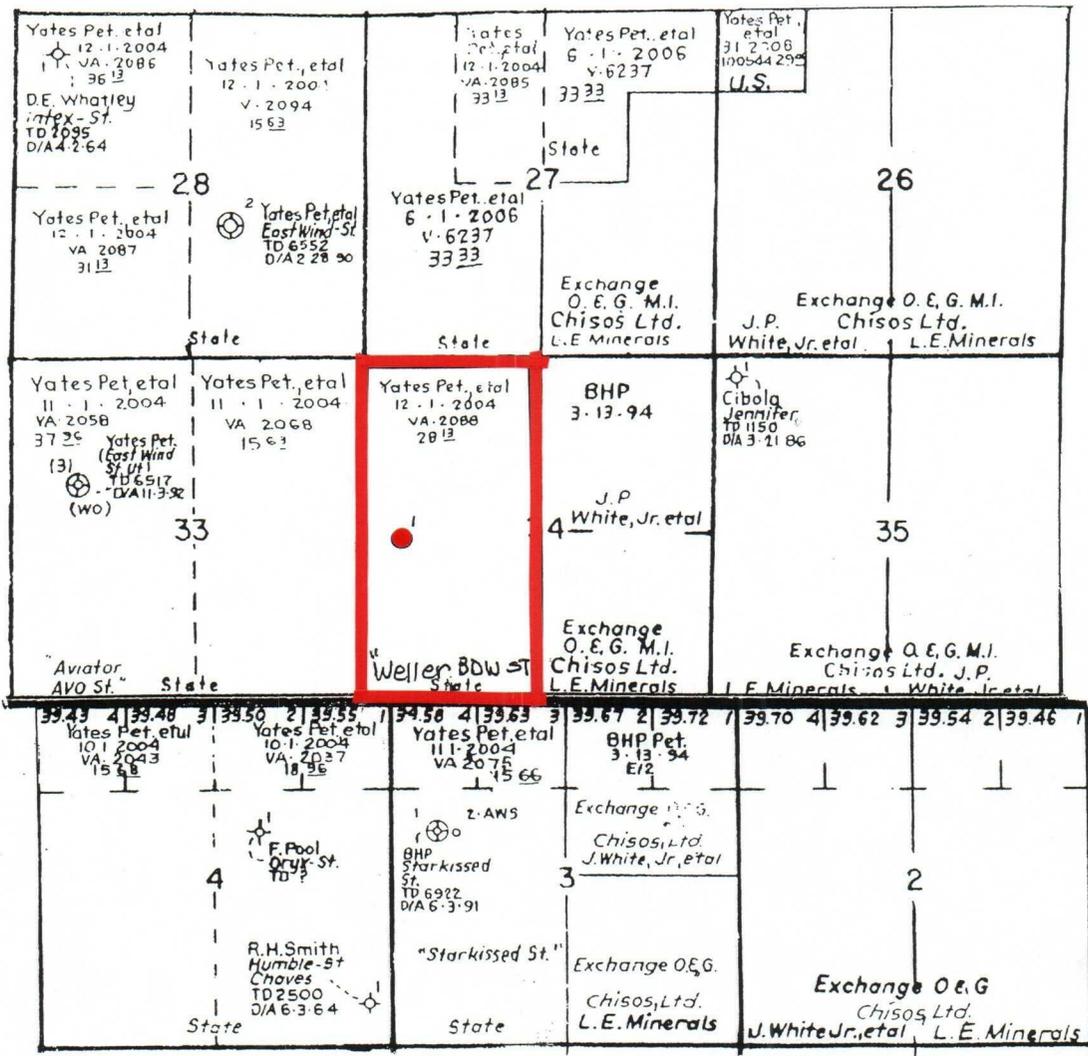


EXHIBIT 2
Yates Petroleum Corporation
Weller BDW State #1
W/2 of Sec. 34-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application

DISTRICT II
311 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Undesignated Precambrian
Property Code	Property Name	Well Number
	WELLER "BDW" STATE	1
OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3862

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	34	9S	27E		2500	SOUTH	660	WEST	CHAVES

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

VA-2088				<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein to true and complete to the best of my knowledge and belief.</p> <p><i>Robert Asher</i> Signature</p> <p>Robert Asher Printed Name</p> <p>Regulatory Agent Title</p> <p>2/9/2004 Date</p>
N.33°29'20.2" W.104°11'17.4"				
660'	2500'			
				<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>2/04/2004 Date Surveyed</p> <p>Signature - Seal of Professional Surveyor <i>Robert Asher</i></p> <p>3640</p> <p>Certificate No. Horscher Jones RLS 3640 WELLER PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY</p>

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GEOLOGIC REASONS

Yates Petroleum Corporation proposes the Weller BDW State #1 to be drilled 2,500' FSL & 660' FWL in 34-9S-27E. This is an unorthodox location. The 3-D Siluro-Devonian Seismic Time Structure Map shows that the well be positioned as close as possible to the top of the structure but far enough away from the north-south fault that is on the west side of this Siluro-Devonian structure.

Yates Petroleum feels that the location of this well will enable us to have the best chance to recover significant amounts of hydrocarbons on this structure in the Siluro-Devonian dolomite.

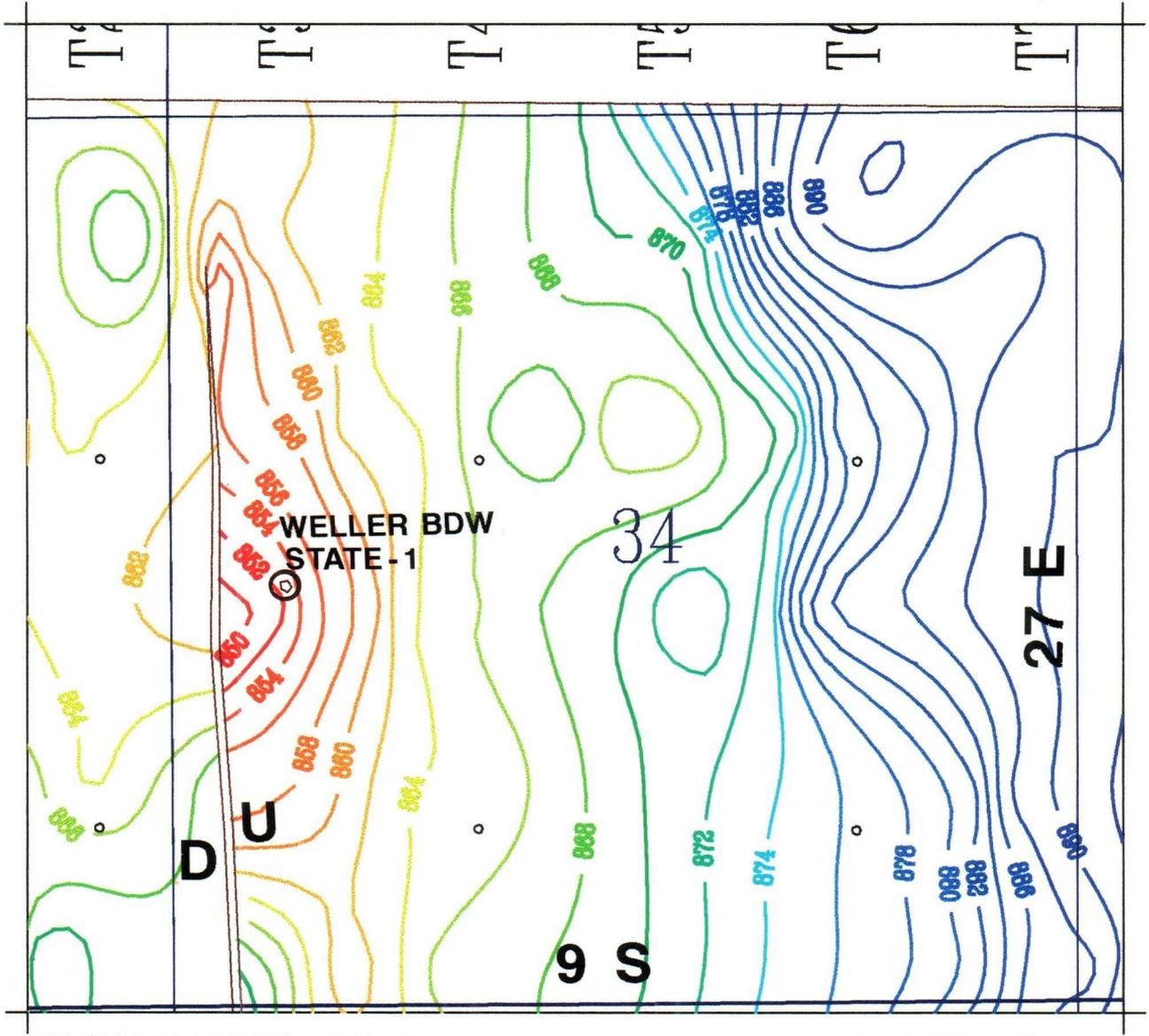
H. Tim Miller

A handwritten signature in cursive script that reads 'H. Tim Miller'.

EXHIBIT 3
Yates Petroleum Corporation
Weller BDW State #1
W/2 of Sec. 34-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application

EXHIBIT 4

Yates Petroleum Corporation
Weller BDW State #1
W/2 of Sec. 34-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application



DTS:(848.51,903.56) rcSilDevTm

Zap_kd_SiluroDev

Siluro-Devonian Seismic Time Structure Map
2 millisecond Contour interval

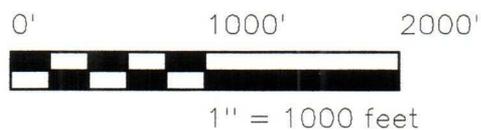


EXHIBIT 5
Yates Petroleum Corporation
Weller BDW State #1
W/2 of Sec. 34-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application

Lease Description

Serial No.: VA-2088

Dated: December 1, 1999

Lessor: State of New Mexico

Record Title: 100% Yates Petroleum Corporation

Lessee: 42% Yates Petroleum Corporation
6% Yates Drilling Company
6% Myco Industries, Inc.
6% Abo Petroleum Corporation
20% Elk Oil Company
4% Elliott-Hall Company Limited
4% Elliott Industries, Inc.
5% Genesis Limited Partnership
5% NMR, Inc.
2% SLR Oil and Gas Investments

Description: Township 9 South, Range 27 East, NMPM
Section 34: W/2
Eddy County, New Mexico

Exp: December 1, 2004

Net Acres: 320.00 acres, more or less