

DATE IN 4/10/03	SUSPENSE 4/30/03	ENGINEER MS	LOGGED IN KJ	TYPE NSL	APPROVAL PKRV0310048637
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ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

#### Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify \_\_\_\_\_

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☐ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Michael Feldewert Attorney 4/9/03  
 Print or Type Name Signature Title Date  
 MFeldewert@HollandHart.com  
 e-mail Address

HOLLAND & HART<sup>LLP</sup>  
ATTORNEYS AT LAW

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  
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Michael H. Feldewert

mfeldewert@hollandhart.com

44449-0009

April 10, 2003

**VIA HAND-DELIVERY**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, NM 87505

**RECEIVED**  
APR 10 2003  
Oil Conservation Division

**Re: Application of Harvey E. Yates Company for Administrative  
Approval of an Unorthodox Well Location for its Cholla 1  
Federal Well No. 4, Eddy County, New Mexico.**

Dear Ms. Wrotenbery:

Harvey E. Yates Company ("Heyco") hereby seeks administrative approval pursuant to the provisions of Division Rule 104.F for its proposed Cholla 1 Federal Well No. 4, to be directionally drilled from a surface location 2260 feet from the North line and 400 feet from the East line to an unorthodox bottom hole location 2130 feet from the North line and 890 feet from the East line (Unit H) of Section 1, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Said well will test the Morrow Sands in the ~~Undesignated East Cedar Lake - Morrow Gas Pool and a Strawn Carbonate~~ buildup in the area. The well is projected to have a total depth of 12,700 feet and a standard 320-acre spacing unit comprised of the E/2 of Section 1 will be dedicated to this well.

Both the Undesignated East Cedar Lake - Morrow Gas Pool and the Strawn formation are governed by the Division's statewide rules that provide for gas wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. Heyco's proposed unorthodox bottom-hole location is 510 feet from the Southern boundary of the quarter section, thereby encroaching on the SE/4 by 150 feet.

The E/2 spacing unit is comprised of one federal lease. The ownership is common in the NE/4 and the SE/4 of Section 1, and Heyco is the operator of this area under an Operating Agreement signed by all working interest owners. *See Attachment A.* As such, this is an internal non-standard location with no affected parties.

HOLLAND & HART<sup>LLP</sup>  
ATTORNEYS AT LAW


Lori Wrontenberg, Director  
April 9, 2003  
Page 2

This unorthodox bottom hole location is requested for geologic reasons. The potential targets for this well are the Morrow Sands, a Strawn Carbonate buildup in the area and shallower zones. The BLM required Heyco to move its original surface location for this well to avoid any adverse impact on the Sand Dune Lizard, a threatened species. Heyco therefore seeks approval to directionally drill to the Northwest from this BLM approved surface location to a bottom hole location that will allow it to penetrate the Strawn Carbonate buildup in the area. Approval of this unorthodox bottom hole location will allow Heyco to test the Morrow Sands and the Strawn Carbonate in this E/2 spacing unit, yet still allow the potential for commercial production from shallow zones at an orthodox location in the event the well is not productive from these deeper horizons.

Attachment B is a plat identifying the surface location and the proposed unorthodox bottom hole location in the E/2 spacing unit. Attachment C is a map showing the structurally high areas in yellow and red. Attachment D is a land locator map showing the 320-acre spacing unit, the adjoining spacing units and wells, and the unorthodox bottom hole location (marked "B"). As noted above, there are no parties adversely affected by this application.

Your attention to this application is appreciated.

Sincerely,



Michael H. Feldewert  
Attorney for Harvey E. Yates Company

MHF/jlp

Enclosures

cc: Melissa Randle

**EXHIBIT A**

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT, DATED MAY 5, 2000, BETWEEN HARVEY E. YATES COMPANY, AS OPERATOR, AND OTHER PARTIES SIGNATORY HERETO, AS NON-OPERATORS

1. **LANDS SUBJECT TO CONTRACT:**

Township 18 South, Range 31 East, N.M.P.M.

Section 1: All  
Eddy County, New Mexico  
containing 640.24 acres, more or less

2. **RESTRICTIONS AS TO DEPTHS, FORMATIONS AND SUBSTANCES:**

This joint operating agreement covers all rights under the contract area.

3. **PERCENTAGE INTERESTS OF THE PARTIES TO THIS AGREEMENT:**

<b>WORKING INTEREST OWNERS</b>	<b>WORKING INTEREST IN UNIT</b>
Harvey E. Yates Company	0.50893516
Explorers Petroleum Corp.	0.05563750
Spiral, Inc.	0.05563750
HEYCO Employees Ltd.	0.01945000
Yates Energy Company	0.15934885
Nortex Gas Corp.	0.12500000
Jalapeno Corporation	0.07599099
<b>TOTALS</b>	<b>1.00000000</b>

4. **OIL & GAS LEASES SUBJECT TO THIS AGREEMENT:**

a) Oil and Gas Lease issued October 1, 1980, bearing Serial No. NM 2537, from the United States of America, as Lessor, to Galaxy Oil Company, et al, as Lessee, insofar as said lease covers the following lands in Eddy County, New Mexico:

Township 18 South, Range 31 East, N.M.P.M.  
Section 1: Lots 1, 2,, S/2 NE/4, SE/4  
320.06 acres, more or less.

b) Oil & Gas Lease issued October 1, 1980, bearing Serial No. NM 2538, from the United States of America, as Lessor, to Galaxy Oil Company, et al, as Lessee, insofar as said lease covers the following lands in Eddy County, New Mexico:

Township 18 South, Range 31 East, N.M.P.M.  
Section 1: Lots 3, 4, S/2 NW/4, SW/4  
containing 320.18 acres, more or less.

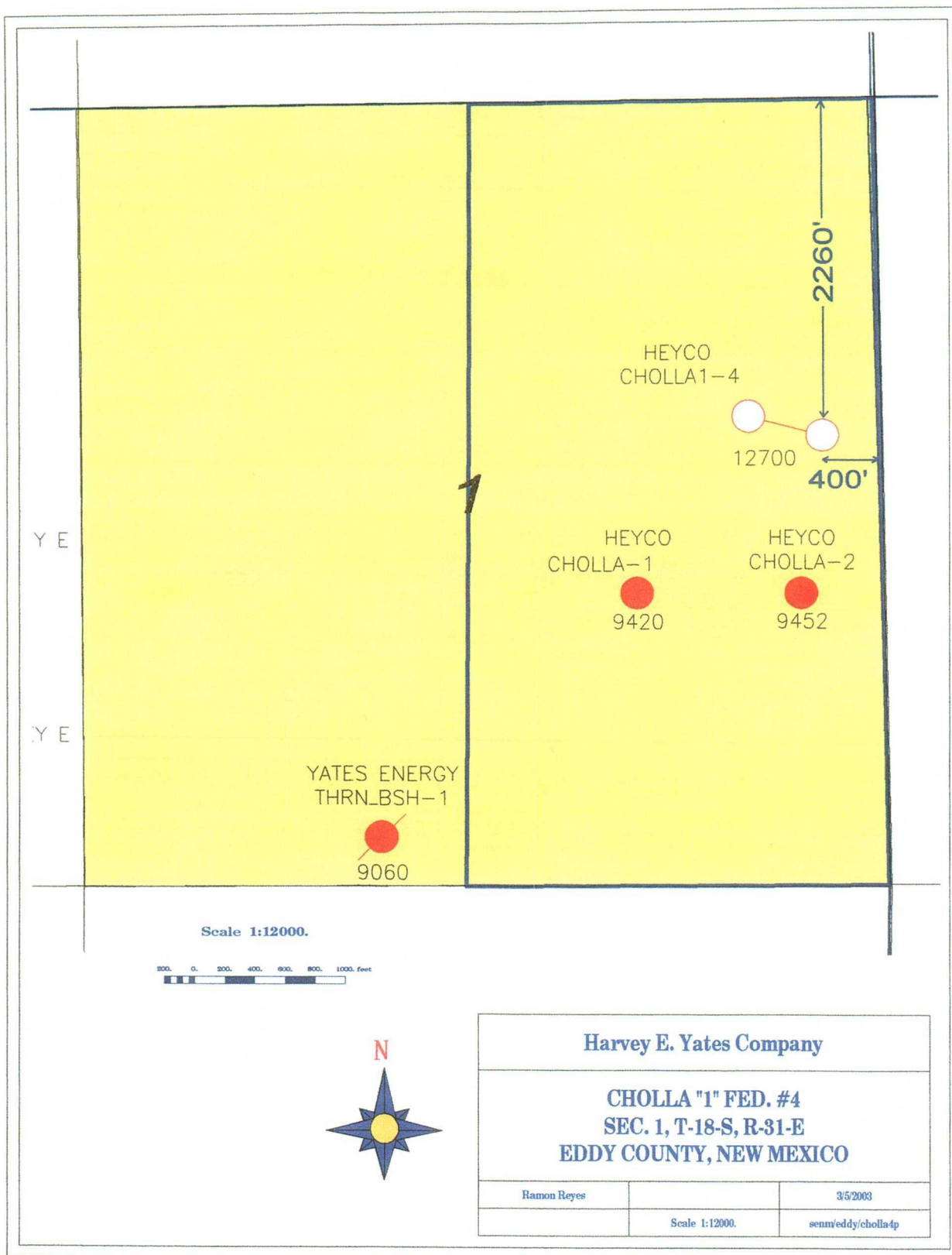
5. **ADDRESSES OF THE PARTIES FOR NOTIFICATION PURPOSES:**

HARVEY E. YATES COMPANY  
EXPLORERS PETROLEUM CORP.  
SPIRAL, INC.  
HEYCO EMPLOYEES LTD.  
P. O. Box 1933  
Roswell, New Mexico 88202

JALAPEÑO CORPORATION  
P. O. Box 1608  
Albuquerque, New Mexico 87108

YATES ENERGY CORPORATION  
P. O. Box 2323  
Roswell, New Mexico 88202

NORTEX CORPORATION  
1415 Louisiana, Suite 3100  
Houston, Texas 77002-7353



Scale 1:12000.

200. 0. 200. 400. 600. 800. 1000. feet



Harvey E. Yates Company

CHOLLA "1" FED. #4  
SEC. 1, T-18-S, R-31-E  
EDDY COUNTY, NEW MEXICO

Ramon Reyes

3/5/2003

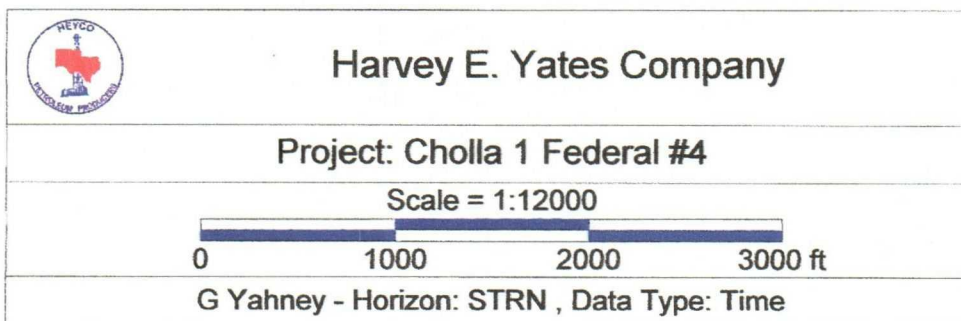
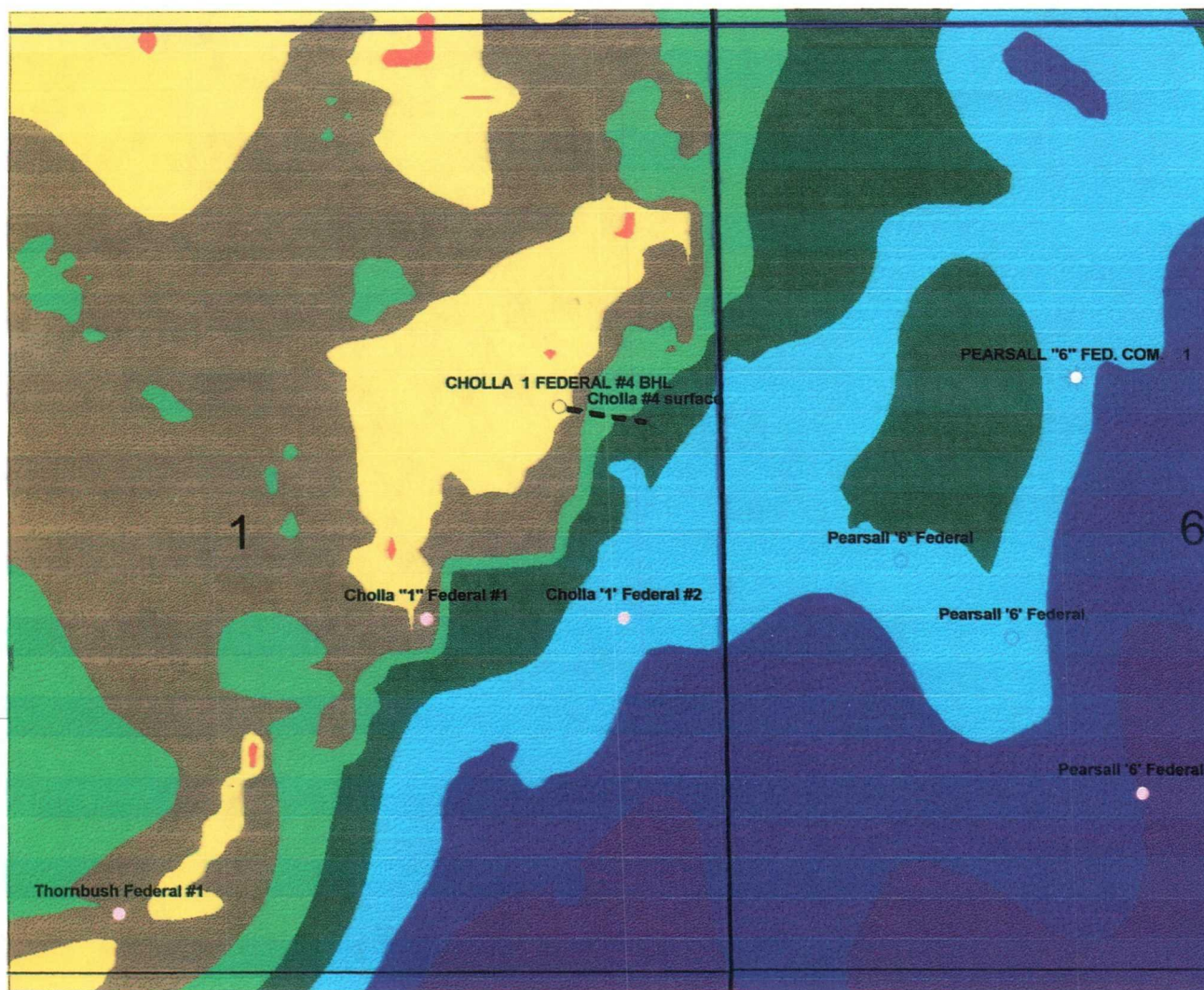
Scale 1:12000.

senm/eddy/cholla4p

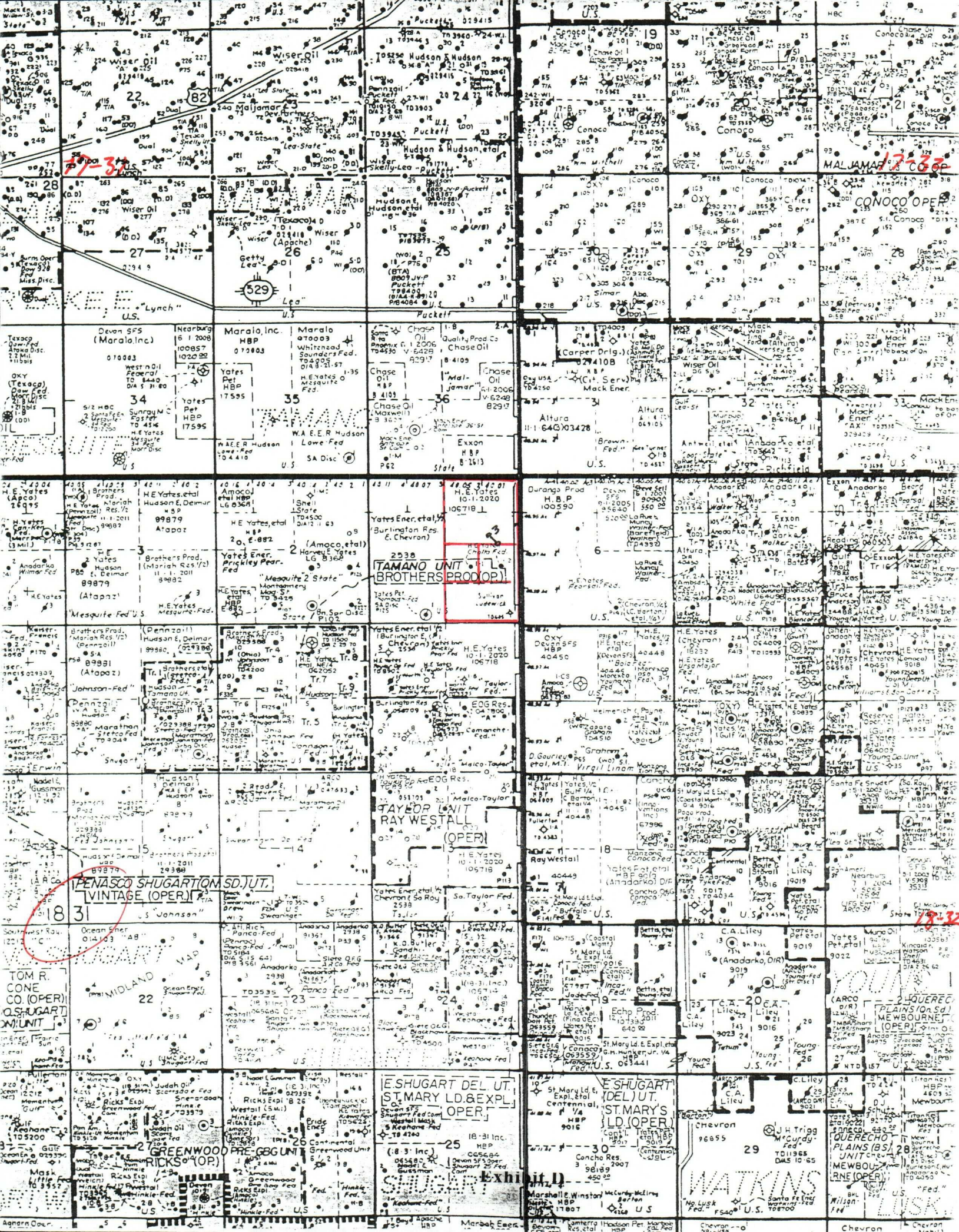
Exhibit B



NY:









county Eddy Pool East Cedar Lake-Morrow Gas

TOWNSHIP 17 South Range 31 East NMPM

6	5	4	3	2	1	
7	8	9	10	11	12	
18	17	16	15	14	13	
19	20	21	22	23	24	
30	29	28	27	26	25	
31	32	33	34	35	36	

Description:  $\frac{1}{2}$  Sec. 33 (R-9938, 8-17-93) Ext:  $\frac{1}{2}$  Sec. 33,  $\frac{1}{2}$  Sec. 34 (R-10124, 5-31-94)  
Ext:  $\frac{1}{2}$  Sec. 32 (R-10234, 11-2-94) Ext:  $\frac{1}{2}$  Sec. 32 (R-11729, 2-22-03)  
Ext:  $\frac{1}{2}$  Sec. 35,  $\frac{1}{2}$  Sec. 36 (R-11764, 4-24-02)

4



County Eddy

Pool East Cedar Lake-Morrow Gas

TOWNSHIP 18 South

Range 31 East

NMPM

6	5	4	3	2	1	
7	8	9	10	11	12	
18	17	16	15	14	13	
19	20	21	22	23	24	
30	29	28	27	26	25	
31	32	33	34	35	36	

Ext:  $\frac{E}{2}$  Sec. 4 (R-10124, 5-31-94) Ext:  $\frac{W}{2}$  Sec. 4 (R-11678, 10-23-01)

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

05/06/03 13:43:53  
OGOMES -TPO1  
PAGE NO: 1

Sec : 01 Twp : 18S Rng : 31E Section Type : NORMAL

4 40.11	3 40.07	2 40.05	1 40.01
Federal owned	Federal owned	Federal owned	Federal owned
E 40.00	F 40.00	G 40.00	H 40.00
Federal owned	Federal owned	Federal owned	Federal owned

PF01 HELP  
PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

PF04 GoTo  
PF10 SDIV

PF05  
PF11

PF06  
PF12

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

05/06/03 13:43:57  
OGOMES -TPO1  
PAGE NO: 2

Sec : 01 Twp : 18S Rng : 31E Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Federal owned	Federal owned	Federal owned	Federal owned
		A	A
M 40.00 CS OPEN	N 40.00 CS OPEN	O 40.00 CS OPEN	P 40.00 CS OPEN
R C	R A	R C	R A

PF01 HELP  
PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

PF04 GoTo  
PF10 SDIV

PF05  
PF11

PF06  
PF12