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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [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]

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 OIL CONSERVATION DIV.

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

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] and [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

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ~~X~~ 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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

William F. Carr
 Print or Type Name

William F. Carr
 Signature

Attorney
 Title

1/31/00
 Date

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January 31, 2000

HAND-DELIVERED

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

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Cupid "AUG" State Well No. 1, to be located 1150 feet from the North line and 2450 feet from the West line of Section 22, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Wrotenbery:

Pursuant to the provisions of Division Rule 104 F adopted on August 12, 1999, Yates Petroleum Corporation hereby seeks administrative approval of an unorthodox well location for its Cupid "AUG" State Well No. 1 at a point 1150 feet from the North line and 2450 feet from the West line of Section 22, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico. This well will be drilled as a wildcat well to a depth of approximately 13,250 feet to test all formations from the surface to through the Devonian formation. A standard 40-acre spacing and proration unit comprised of the NE/4 NW/4 of Section 22 will be dedicated to the well in the Devonian formation.

This proposed unorthodox well location is unorthodox because it encroaches on offsetting tracts to the South, East and Southeast. This unorthodox location is required by geological conditions. The structural closure which is targeted with this well covers approximately 40

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
January 31, 2000
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acres as is shown of Figure 1 attached hereto. Figure 2 is a north-south seismic line, extracted from 3D volume, which shows the maximum point of closure on the feature. With a feature this small it is critical that the single well be drilled on the highest point of structural closure to insure that the maximum recovery of the oil in place can be accomplished. In this case the maximum point of closure as defined by the 3D seismic is approximately 200 feet in diameter and the required location falls outside the orthodox location window established by the 40-acre spacing rules for the Devonian formation. An unorthodox well location is required to penetrate the trap at the optimum point of closure and allow for the recovery of the maximum volume of oil from the trap.

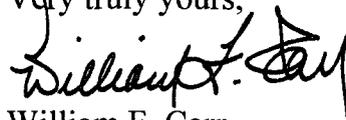
If the Devonian is non-productive in this well, the Atoka-Morrow is a secondary objective and Yates will probably attempt a completion in these sands. The N/2 of Section 22 will be dedicated to the well if it is completed in the Atoka-Morrow formation.

Attached hereto as Figure 3 is a plat showing the subject area and the proposed unorthodox well location. The acreage shaded yellow is operated by Yates Petroleum Corporation. Since the well is located on State of New Mexico acreage and only encroaches on acreage with common working interest, royalty and overriding royalty interest ownership, the correlative rights of no interest owner will be adversely impacted by a well at this proposed unorthodox location. Accordingly, there are no affected persons as defined in Rule 1207.A to whom notice of this application should be provided.

A Geological Justification for this unorthodox well location is attached as Figure 4.

Your attention to this application is appreciated.

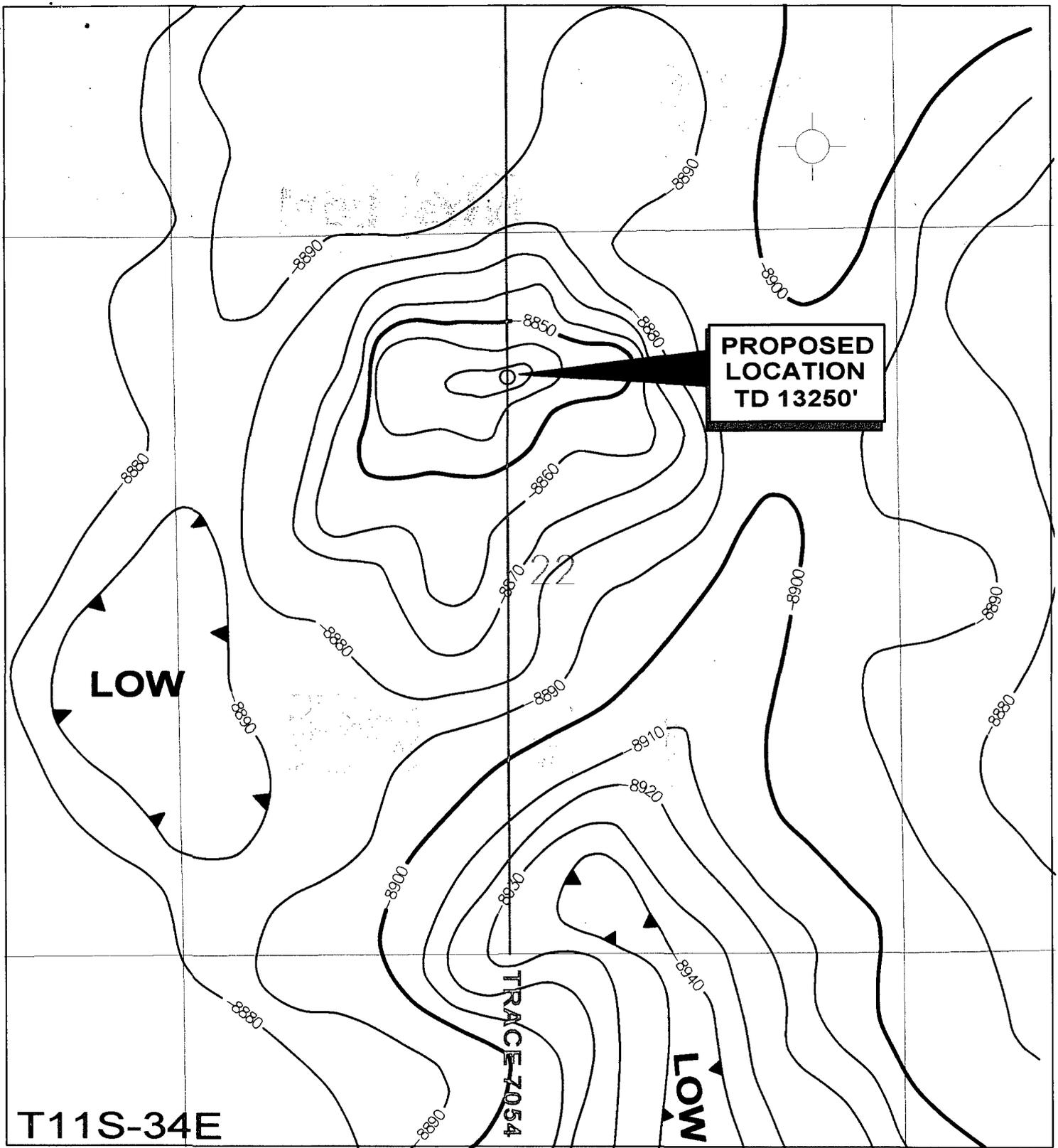
Very truly yours,



William F. Carr

Attorney for Yates Petroleum Corporation

WFC/md
Enclosures



YATES PETROLEUM CORPORATION
CUPID "AUG" STATE #1
NON-STANDARD LOCATION
DEVONIAN TEST
TOP DEVONIAN STRUCTURE MAP
FIGURE 1 **Contour Interval: 10'**
Geo.: R. Meek **Scale 1:12000** **1/25/2000**

FIGURE 1

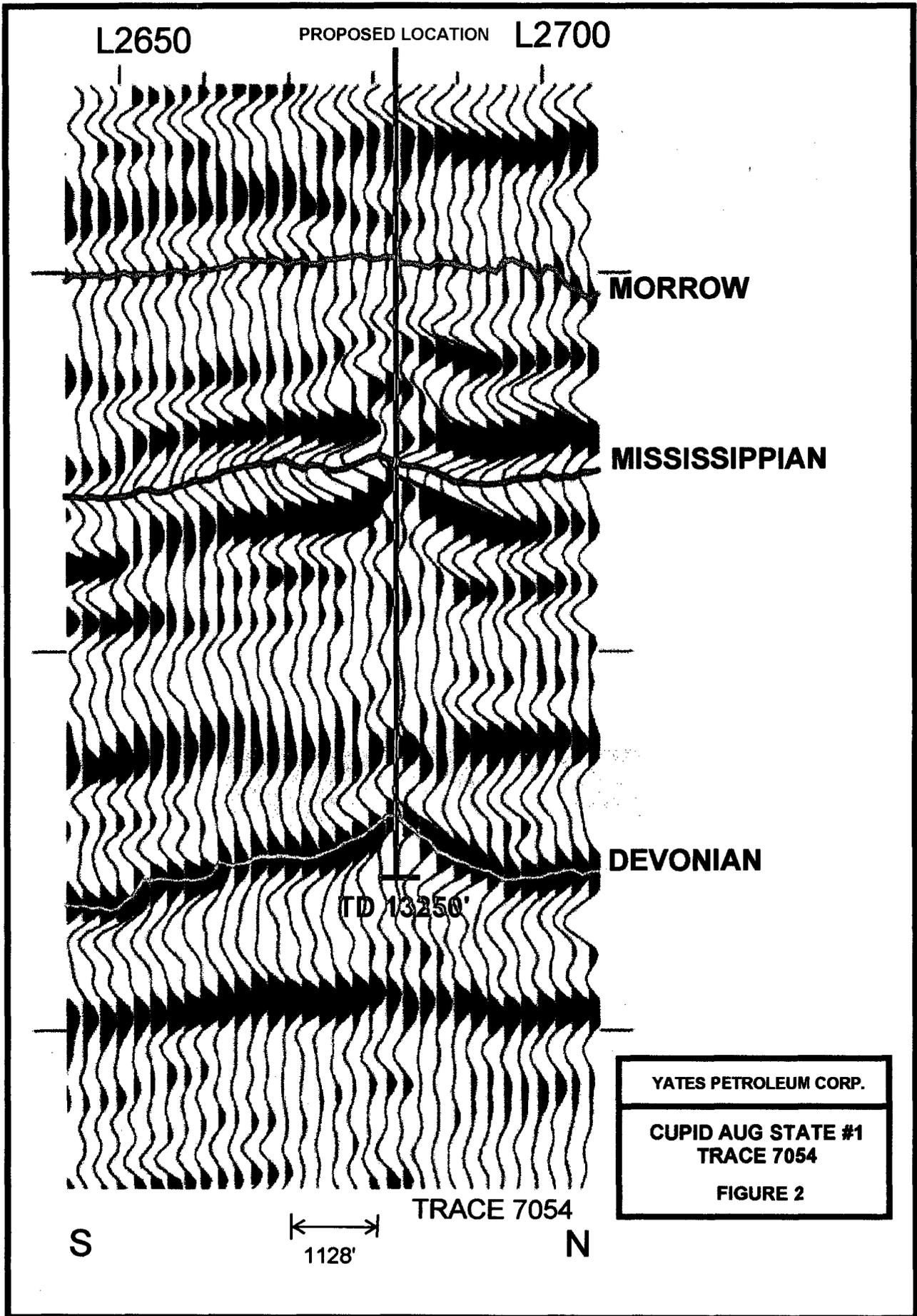
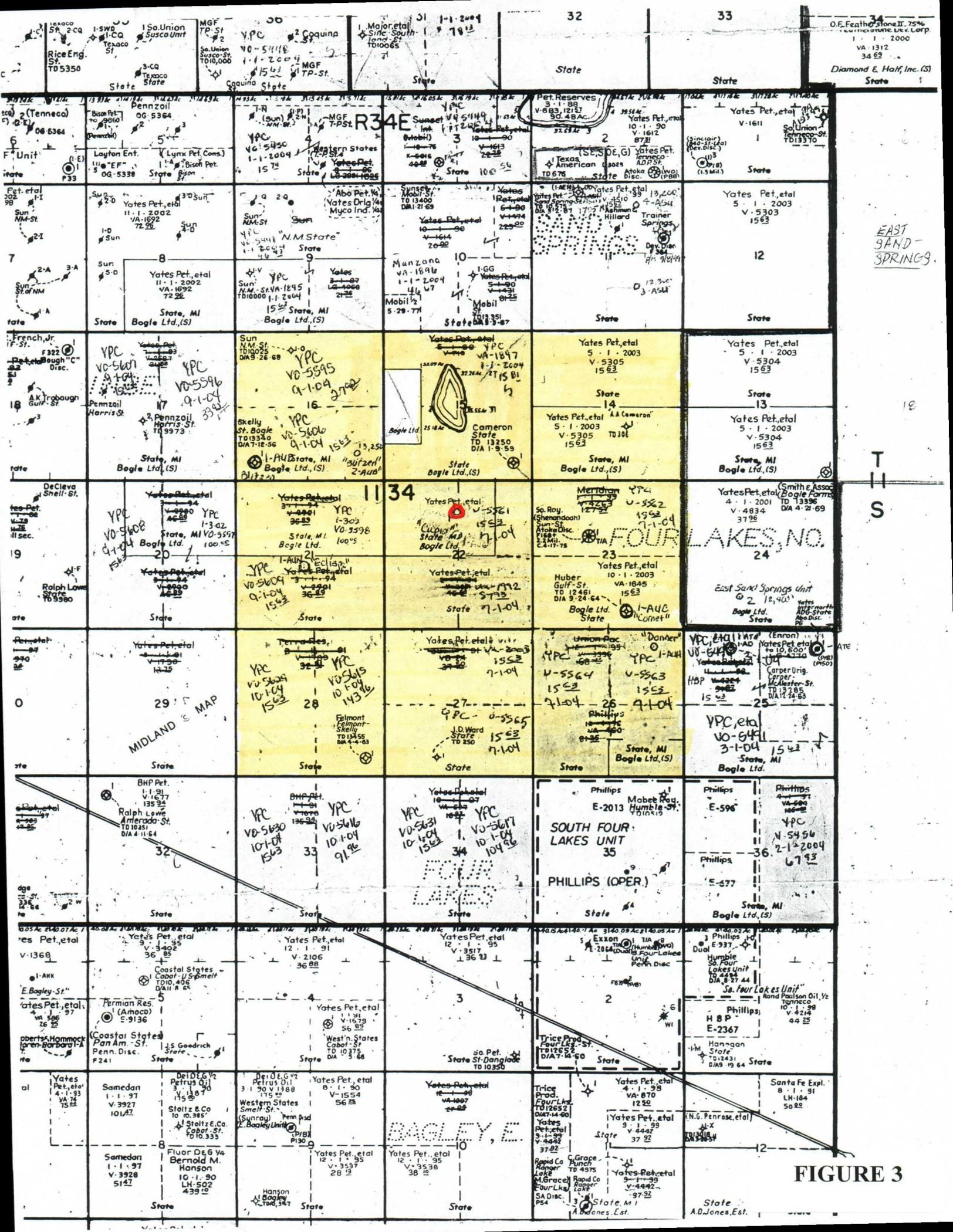


FIGURE 2



O.F. Feather Stone II, 75%
 Feather Stone Lvs. Corp.
 VA 1-2000
 VA 1312
 34 62
 Diamond E. Half, Inc. (S)
 State

EAST SAND SPRINGS

T H S

FIGURE 3

Cupid "AUG" State #1 Unorthodox Location Description and Geologic Justification

Yates Petroleum Corporation is requesting a non-standard location to drill a 13,250 foot Devonian test located 2450' fwl and 1150' fnl section 22 T11S R34E, Lea Co. New Mexico. The "Devonian" formation produces oil in this area from porous dolomite and limestone reservoirs on structural features with four way dip closure. The large structural closures in the Tatum Basin Devonian Play were drilled many years ago and include fields such as Cross Roads, Denton, Four Lakes and others. In recent years the availability of 3D seismic surveys in the Tatum Basin area has allowed exploration wells to be drilled for much smaller structural closures that could not be identified without 3D seismic data. Many of these small structural closures cover less than 100 acres and if productive will be developed as single well fields.

The structural closure targeted with the Cupid "AUG" State #1 well covers approximately 40 acres, as illustrated in figure 1. Figure 2 is a north - south seismic line, extracted from the 3D volume, which shows the maximum point of closure on the feature. With a feature this small it is critical that the single well be drilled on the highest point of structural closure to insure that the maximum recovery of the oil in place can be accomplished. In this case the maximum point of closure as defined by the 3D seismic is approximately 200 feet in diameter and the required location falls outside the orthodox location window established by the 40 acre spacing rules for the Devonian formation. A non-standard location is required to penetrate the trap at the optimum point of closure and allow for recovery of the maximum volume of oil from the trap.

A secondary objective for this well is the Atoka-Morrow formation which is spaced on 320 acres. In the event that the Devonian proves to be non-productive this well will probably be completed as a gas well in the Atoka-Morrow sands.

CMD :
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ONGARD
INQUIRE LAND BY SECTION

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PAGE NO: 1

Sec : 22 Twp : 11S Rng : 34E Section Type : NORMAL

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E 40.00 CS V05561 0000 YATES PETROLEUM C 07/01/04	F 40.00 CS V05561 0000 YATES PETROLEUM C 07/01/04	G 40.00 CS V05561 0000 YATES PETROLEUM C 07/01/04	H 40.00 CS V05561 0000 YATES PETROLEUM C 07/01/04

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PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

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Sec : 22 Twp : 11S Rng : 34E Section Type : NORMAL

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M 40.00 CS VA1992 0000 YATES PETROLEUM C 07/01/04	N 40.00 CS VA1992 0000 YATES PETROLEUM C 07/01/04	O 40.00 CS VA1992 0000 YATES PETROLEUM C 07/01/04	P 40.00 CS VA1992 0000 YATES PETROLEUM C 07/01/04

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