

DATE IN 2/7/00	SUSPENSE 2/28/00	ENGINEER MS	LOGGED KW	TYPE NSL
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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]

00 FEB - 7 PM 3:36

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  Does Not Apply**

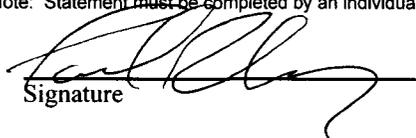
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, 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.

Paul R. Owen  
 Print or Type Name

  
 Signature

Attorney  
 Title

1/7/2000  
 Date

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
PAUL R. OWEN  
ANTHONY F. MEDEIROS  
  
JACK M. CAMPBELL  
1916-1999

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
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E-MAIL: ccbspa@ix.netcom.com

February 7, 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 Wings "AUT" State #1 Well, 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Lea County, New Mexico***

Dear Ms. Wrotenbery:

Enclosed please find Yates Petroleum Corporation's application for administrative approval pursuant to the provisions of Division Rule 104 F (2), of an unorthodox well location, Feather Morrow pool, for its Wings "AUT" State #1 Well, which well is to be located 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Eddy County, New Mexico. The S/2 of Section 17 will be dedicated to the well.

The proposed well is a re-entry of the Union State 17 Well, a well that was drilled as a dry hole to 10,100 feet, and was plugged and abandoned on December 31, 1970. Yates proposes to re-enter the well and drill it to a depth of 12,700 feet, within the Morrow formation. This location in the Morrow formation is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-acre spacing units to be located no closer than 660 feet to the nearest section line. Attached to the administrative application as Exhibit "A" is a plat showing the subject spacing unit, the location of the Wings "AUT" State #1 Well, and the diagonal and adjoining spacing units and wells.

The immediately adjoining spacing unit in the Morrow formation toward which the unorthodox location encroaches, the N/2 of Section 20, is leased 50% by Yates and its sister companies, and 50% by Pogo Producing Company. Attached to the administrative application as Exhibit "B" is a signed

waiver letter from Pogo by which Pogo waives objection to the proposed re-entry. Accordingly, there are no affected parties to whom notification of this Application should be provided pursuant to Division Rule 1207(A)(2).

Finally, attached as Exhibit "C" to the administrative application is the Authority for Expenditure for the proposed well, as well as a letter from Douglas W. Hurlbut, landman with Yates Petroleum, to myself, dated February 7, 2000. The AFE and Mr. Hurlbut's letter reflect the fact that requiring Yates to drill the well at a standard location in the spacing unit will render the well uneconomical, leading to the waste of the Morrow hydrocarbons.

In support of the administrative application, I have enclosed the following:

- 1) A Lease Plat, showing the proposed spacing unit, the proposed unorthodox well location, and the adjoining spacing units and wells. The Lease Plat also shows the operatorship of the offsetting spacing units. As detailed above, the N/2 of Section 20, the offsetting spacing unit which might be affected by the proposed unorthodox location, is leased 50% by Yates and 50% by Pogo;
- 2) A waiver letter from Pogo, wherein Pogo waives objection to the proposed well; and,
- 3) The AFE for the proposed well, as well as a letter from Douglas Hurlbut to myself, explaining that the additional costs of drilling the proposed well at a standard location, as opposed to the proposed re-entry at the requested unorthodox location, will render the proposed well uneconomical.

Also enclosed are paper and disk copies of a proposed order approving this application.

Your attention to this matter is greatly appreciated.

Very truly yours,



Paul R. Owen

Attorney for Yates Petroleum Corporation

Enclosures

cc: Douglas W. Hurlbut  
Yates Petroleum Corporation



MARTIN YATES, III  
1912 - 1988  
FRANK W. YATES  
1928 - 1988



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (505) 748-1671

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

February 7, 2000

Mr. Terry Gant  
Pogo Producing Company  
300 N. Mariensfeld, Suite 600  
Midland, TX 79701

VIA FACSIMILE MAIL  
(915) 685-8150

Dear Terry,

Yates Petroleum Corporation does hereby propose to re-enter the Union State well and deepen to the Morrow Formation at 12,700'. This borehole is currently 560' PSL and 660' FWL of Section 17, T15S-R32E, Lea County, New Mexico.

We are requesting that Pogo Producing Company sign this letter indicating that they waive any objection to the above proposed re-entry and then fax me a signed copy of this letter to (505) 748-4572 at your earliest convenience.

Should you have any questions, please advise.

Very Truly Yours,

Douglas W. Huribut  
Landman

DWH/ca

AGREED TO AND ACCEPTED this 7<sup>th</sup> day of Feb. 2000.

Pogo Producing Company

By:   
Title: Douglas Laneman  
TERRY GANT



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

**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO.  
AFE DATE

00-133-0  
1/25/2000  
AFED (rev 6/92)

AFE Type:	Well Objective:	Well Type:
<input type="checkbox"/> New Drilling	<input type="checkbox"/> Oil	<input type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input checked="" type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/>	Original	
<input type="checkbox"/>	Revised	
<input type="checkbox"/>	Final	
<input type="checkbox"/>	Supplemental	

LEASE NAME  
COUNTY  
FIELD  
LOCATION

Wings ART State Com #1	PROJ'D DEPTH	12700'
LEA	STATE	NM
880' FSL & 660' FWL M Sec 17, T16S, R32E	HORIZON	Morrow

DIVISION CODE  
DISTRICT CODE  
BRANCH CODE

100	DIVISION NAME	Oil & Gas Division
	DISTRICT NAME	
	BRANCH NAME	

PROGNOSIS:

Re-enter with pulling unit. Tie back & 5/8" casing, drill out plugs to 8 5/8" shoe.  
Pressure test and turn over to the drilling department to enter open hole and to  
deepen to 12500'

INTANGIBLE DRILLING COSTS:

		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	1,000	1,000
920-110	Location, Right-of-Way	10,000	10,000
920-120	Drilling, Footage	7 days @ \$4500/day for PU, RU, swivel, tanks, ect.	59,500
920-130	Drilling, Daywork	16 Days @ \$6,150 /day + \$26,000 mobilization	123,400
920-140	Drilling Water, Fasline Rental	16,000	16,000
920-150	Drilling Mud & Additives	20,000	20,000
920-160	Mud Logging Unit, Sample Bags	2,500	2,500
920-170	Cementing - Surface Casing	15,000	15,000
920-180	Drill Stem Testing, OHT	1 det	6,000
920-190	Electric Logs & Tape Copies	20,000	20,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	17,000	17,000
920-205	Control of Well-Insurance	4,400	4,400
920-210	Supervision & Overhead	13,000	13,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	25,000	25,000
920-350	Cementing - Production Casing		30,000
920-410	Completion Unit - Swabbing	24,000	39,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,500
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		10,000
920-460	Tools & Equip. Rental, Etc. - Completion		20,000
920-470	Stimulation for Completion		80,000
920-480	Supervision & O/H - Completion		3,000
920-490	Additional LOC Charges - Completion		2,000
920-510	Bits, Tools & Supplies - Completion		1,000
920-500	Contingency for Completion		
<b>TOTAL INTANGIBLE DRILLING COSTS</b>		<b>368,800</b>	<b>524,300</b>

TANGIBLE EQUIPMENT COSTS:

930-010	Christmas Tree & Wellhead	4,000	22,000
930-020	Casing	1250' of 8 5/8" 24 lb/ft K-55	9,500
		1250' of 5 1/2"	92,000
930-030	Tubing	12,500' 2 7/8" 8.4 lb/ft	42,063
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		30,000
940-040	Trucking & Construction Costs		15,000

TOTAL TANGIBLE EQUIPMENT COSTS

13,600

225,863

TOTAL COSTS

370,300

748,563

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By	<i>M. Hill</i>	<i>B</i>	Operations Approval	<i>hbc</i>	<i>3 Feb 00</i>
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YATES PETROLEUM CORPORATION		70.00%
YATES DRILLING COMPANY		10.00%
BY	DATE	
ABO PETROLEUM CORPORATION		10.00%
BY	DATE	
MYCO INDUSTRIES, INC.		10.00%
BY	DATE	
BY	DATE	

Samedan.xls

MARTIN YATES, III  
1918 - 1988  
FRANK W. YATES  
1926 - 1988



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (805) 748-1471

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SECRETARY  
DENNIS G. KINSEY  
TREASURER

February 7, 2000

Mr. Paul Owen  
Campbell, Carr, Berge & Sheridan  
P.O. Box 2208  
Santa Fe, New Mexico 87504

Via Facsimile  
505-983-6043

RE: Wings "AUT" State #1  
Re-entry  
Township 15 South, Range 32 East, NMPM  
Section 17  
Lea County, New Mexico

Dear Paul:

Yates Petroleum Corporation desires to re-enter the Union State well at a location of 560' FSL & 660' FWL of Section 17, and deepen to a total depth of 12,700 feet to test the Morrow formation. This appears to be an unorthodox location and we would like to get approval administratively if possible. The attached plat will give you an idea of the current leasehold ownership.

The current Authority for Expenditure cost (see attached) are \$370,300.00 for a dry hole and \$749,863.00 for a completed well. If we had to drill this well at a legal location then the costs would be \$652,000.00 for a dry hole and \$1,770,000.00 for a completed well which would rendered it uneconomical.

Please review the above and advise me as soon as possible.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut  
Landman

DWH/dc

(Date)

Yates Petroleum Corporation  
c/o Campbell, Carr, Berge & Sheridan, P.A.  
110 North Guadalupe  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208

***Re: Application of Yates Petroleum for Administrative Approval of an Unorthodox Well Location for its Wings "AUT" State #1 Well, 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Lea County, New Mexico***

Dear Mr. Owen:

Reference is made to your application dated February 7, 2000 to drill Yates' proposed Wings "AUT" State #1 Well at a non-standard location 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Lea Eddy County, New Mexico, to test the Morrow formation, \_\_\_\_\_ Morrow Pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

The information submitted with this application indicates that the non-standard location is necessary so that Yates may drill the proposed well as a re-entry of the Union State #17 Well, which well was originally drilled as a dry hole to 10,100 feet, and was plugged and abandoned on December 31, 1970. The information submitted with this application indicates that the additional costs associated with drilling a well at a non-standard location will render the well non-economic, resulting in the waste of the hydrocarbons underlying the subject spacing unit.

The S/2 of said Section 17 shall be dedicated to the well to form a standard 320-acre gas spacing and proration unit for the subject pool.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

Lori Wrotenbery  
Director