

8.15.05 DATE IN	SUSPENSE	Stagner ENGINEER	8.15.05 LOGGED IN	TYPE	DSEM0522745043 APP NO.
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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 ~~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

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[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.

WILLIAM F. CARR  
 Print or Type Name

William F. Carr  
 Signature

ATTORNEY  
 Title

8/15/05  
 Date

wcarr@hollandhart.com  
 e-mail Address



August 15, 2005

**HAND-DELIVERED**

Mr. Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location and Simultaneous Dedication for its Zingaro "ANG" Federal Well No. 7, to be located 660 feet from the North line and 1300 feet from the West line of irregular Section 1, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. *Lot 4 (D)*

Dear Mr. Fesmire:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Rule 2 of the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico adopted February 1, 1977, of an unorthodox well location for its Zingaro "ANG" Federal Well No. 7 to be drilled in the Upper Pennsylvanian (Cisco-Canyon) formation at an unorthodox well location 660 feet from the North line and 1300 feet from the West line of irregular Section 1, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. An existing 336.57-acre stand-up spacing and proration unit comprised of Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of said Section 1 will be dedicated to the well. This non-standard spacing and proration unit was approved by Division Order No. R-9922-D, dated December 7, 1998.

The well will be drilled to a depth of approximately 8200 feet to test the dolomite of the Upper Pennsylvanian (Cisco-Canyon) formation, Indian Basin-Upper Pennsylvanian Associated Pool. This acreage was originally included in the Indian Basin-Upper Pennsylvanian Gas Pool. However, the pool boundaries were



adjusted by the contraction of the Indian Basin-Upper Pennsylvanian Gas Pool to exclude this acreage and the simultaneous inclusion of these lands in the Indian Basin-Upper Pennsylvanian Associated Pool. (See, Order No. R-9922-E, dated August 16, 2002).

This location in the Upper Pennsylvanian formation is unorthodox because Rule 2 of the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool (Order No. R-9922-C, dated May 14, 1996) provides for wells on 320-spacing units to be located no closer than 660 from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary. This unorthodox location is only 20 feet from an interior quarter-quarter section line.

This unorthodox location is required by topographic conditions. Yates originally proposed this well at a standard location 660 feet from North and West lines of Section 1. However, the original location was on a steep hill that dropped off into an active draw that contains standing water much of the time. The well location therefore had to be moved to the East (toward the center of the spacing unit for the well) to its current location. This location was approved by Barry Hunt, Surface Protection Specialist with the BLM since there were no satisfactory surface locations closer to the original standard location. Attached hereto as **Exhibit A** is a Topographic Map that shows the existent topographical conditions at the original standard location and the current proposed unorthodox location.

Yates also seeks authority to simultaneously dedicated this 336.57-acre stand-up proration unit to its Zingaro "ANG" Federal Well No. 7 and its Zingaro "ANG" Federal Well No. 4 (**API No. 30-015-30550**) located at a previously approved unorthodox location 1500 feet from the North line and 1550 feet from the West line of said Section 1 (approved by Division Administrative Order NSL-4225, dated March 4, 1999) and its Zingaro "ANG" Federal Well No. 5 (**API No. 30-015-32346**) located at a previously approved unorthodox location 710 feet from the South line and 2050 from the West line (Unit N) of said Section 1 (approved by Division Administrative order NSL-4225-A(SD)). The proposed simultaneous dedication of three wells on this W/2 unit is authorized by the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool. Rule 2(a) provides for standard oil proration units in this pool of 320-acres. Rule 2(b) provides that "No more than one well per 80-acre tract shall be drilled or produced on a standard spacing unit."

HOLLAND & HART  L.L.P.

Attached hereto as **Exhibit B** is a plat which shows the subject area, the 336.57-acre stand-up spacing unit comprised of the W/2 Equivalent of irregular Section 1 and the proposed unorthodox location. Since this location is only unorthodox to an interior quarter-quarter section line, there are no adjoining or diagonal spacing units towards which the well location encroaches. Furthermore, the simultaneous dedication of these oil wells is authorized by the Special Pool Rules and Regulations for this pool. Accordingly, there are no affected parties to whom this application should be provided.

Your attention to this application is appreciated.

Very truly yours,

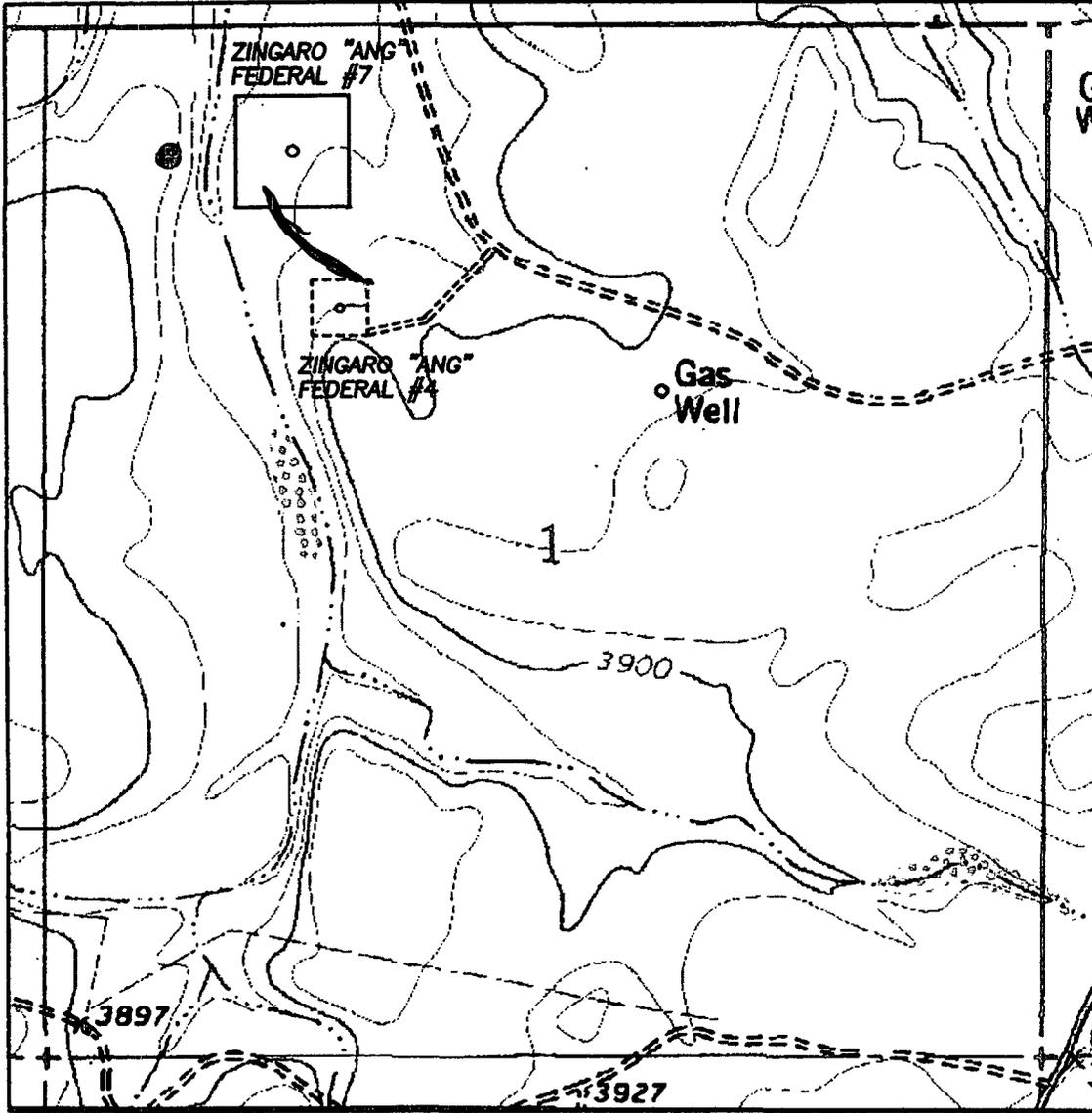


WILLIAM F. CARR  
Attorney for Yates Petroleum Corporation

Enclosures

cc: Janet Richardson  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88201

SECTION 1, TOWNSHIP 22 S, RANGE 23 EAST, NMPM, ED COUNTY, NEW MEXICO.



1000' 0 1000' 2000'  
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR SUCH SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

3640  
MICHAEL L. JONES, P.E.  
REGISTERED PROFESSIONAL LAND SURVEYOR, STATE NO. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928  
LOVINGTON, NEW MEXICO 88260

**YATES PETROLEUM CORP.**

LEASE ROAD TO ACCESS THE YATES ZINGARO "ANG" FEDERAL #7 WELL, LOCATED IN SECTION 1, TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 5/24/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Bliving	W.O. Number
Date: 5/24/04	Scale 1" = 1000' ZINGARO 7

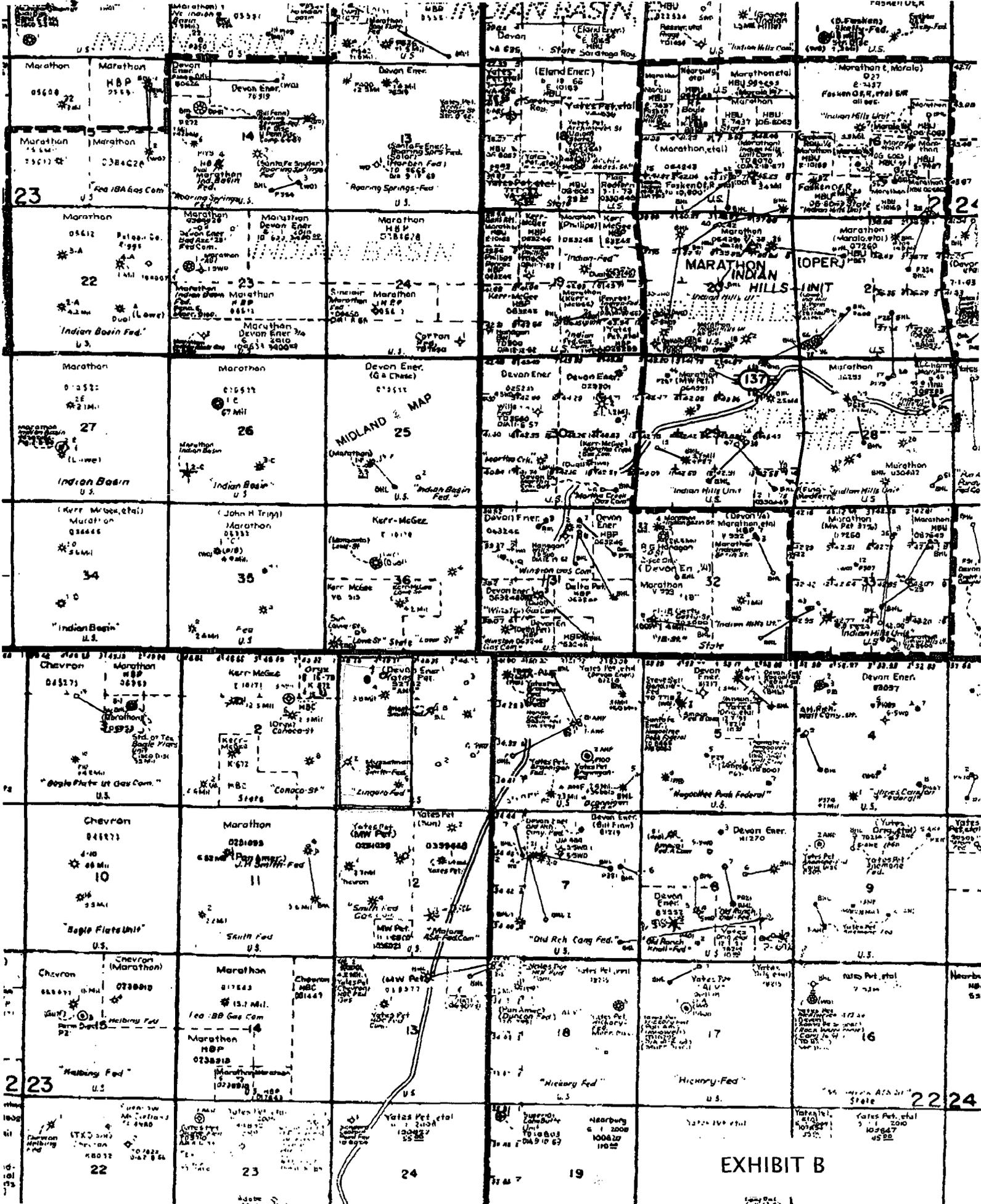


EXHIBIT B