

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

Sales Zinsner ONC Fed. #4

ADMINISTRATIVE APPLICATION COVER SHEET

THIS COVER SHEET 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]

[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

William F. Carr
 JAN 26 PM 4:34
 2-11-99
 OIL CONSERVATION DIV.

[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 (including API numbers, pool codes, etc.), pertinent information and any required 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

1/26/99
Date

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN
KATHERINE M. MOSS

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

January 26, 1999

HAND-DELIVERED

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

99 JAN 26 PM 4: 34
OIL CONSERVATION DIV

Re: *Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Zingaro ANG Federal Well No. 4, to be located 1500 feet from the North line and 1550 feet from the West line of Section 1, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico*

Dear Ms. Wrottenbery:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Zingaro ANG Federal Well No. 4 to be drilled in the Upper Penn (Cisco-Canyon) and the Morrow formations at an unorthodox well location 1500 feet from the North line and 1550 feet from the West line of Section 1, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. A standard 640-acre spacing and proration unit comprised of Section 1 will be dedicated to the well.

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
January 26, 1999
Page 2

The well will be drilled to a depth of approximately 9900 feet to test the dolomite of the Upper Pennsylvanian (Cisco-Canyon) formation and the sands of the Morrow formation. This location in the Upper Pennsylvanian and Morrow formations is unorthodox because Rule 4 the Special Pool Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool (Order No. R-2440) and Rule 4 of the Special Pool Rules and Regulations for the Indian Basin-Morrow Gas Pool (Order No. R-2441) provide for wells on 640-spacing units to be located no closer than 330 feet to any governmental quarter-quarter section line.

This unorthodox location is required by topographic conditions. Yates originally proposed this well at a standard location 1650 feet from North and West lines of Section 1. However, when Yates' field personnel met at the well site with representatives of the Bureau of Land Management, the BLM felt the slope was too steep at the original location and required the well to be moved to the current unorthodox location.

Attached hereto as Exhibits A through C are a geological explanation for this well and attached sand map and production map. These exhibits show that the unorthodox location is supported by the geology of the subject formations.

Attached hereto as Exhibit D is a plat which shows the subject area, the 640-acre spacing unit comprised of all of 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. Accordingly, there are no affected parties to whom this application needs to be provided.

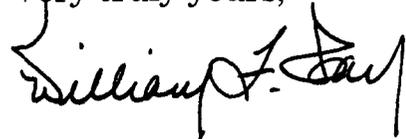
Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources

January 26, 1999

Page 3

Your attention to this application is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large initial "W".

WILLIAM F. CARR
Attorney for Yates Petroleum Corporation

Enclosures

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

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
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

GEOLOGICAL EXPLANATION OF THE ZINGARO "ANG" FEDERAL #4

The Zingaro "ANG" Fed. #4 is proposed at an unorthodox location 1500' FNL and 1550' FWL in section 1 of Township 22 South - Range 23 East, Eddy County, New Mexico. The location was chosen because of topographic and geologic reasons.

The primary objectives are to test the dolomite of the Upper Penn (Cisco-Canyon) and the sands of the Morrow Formation. Secondary objectives include the Atoka, Strawn, Wolfcamp, and Yeso.

Yates originally sought an orthodox location 1650' FNL and 1650' FWL in section 1, but after meeting with the BLM it was determined the original location could not be granted because of topographic concerns. The BLM did grant the proposed location (1500' FNL & 1550' FWL).

The sand map represents sands of the Morrow Clastics section and shows the limits of sand deposition within a fluvio-deltaic environment. The sand map is a "clean sand" map with a gamma ray cutoff of 50 API units or less. The map shows several north-south sand thicks with one trending through the proposed location. The thickest section of the sand trends should yield the best chance to encounter reservoir quality porosity and permeability. The slightly unorthodox location is within the thicker part of the sand. If the location had been moved further south and/or east sand thickness would be lost.

The cumulative production map shows production "sweet spots" from the Upper Penn dolomite. The Upper Penn dolomite is present throughout the mapped area and productive wells can be drilled into the dolomite in this area (most of the wells on the map have produced from the Upper Penn), but the highly productive wells occur in "sweet spots". The proposed location should be present in a "sweet spot".

In summary, the unorthodox location was chosen over an orthodox location because of topographic concerns. The location should have sufficient sand thickness in the Morrow for economic reserves and should encounter a productive "sweet spot" in the Upper Penn dolomite.

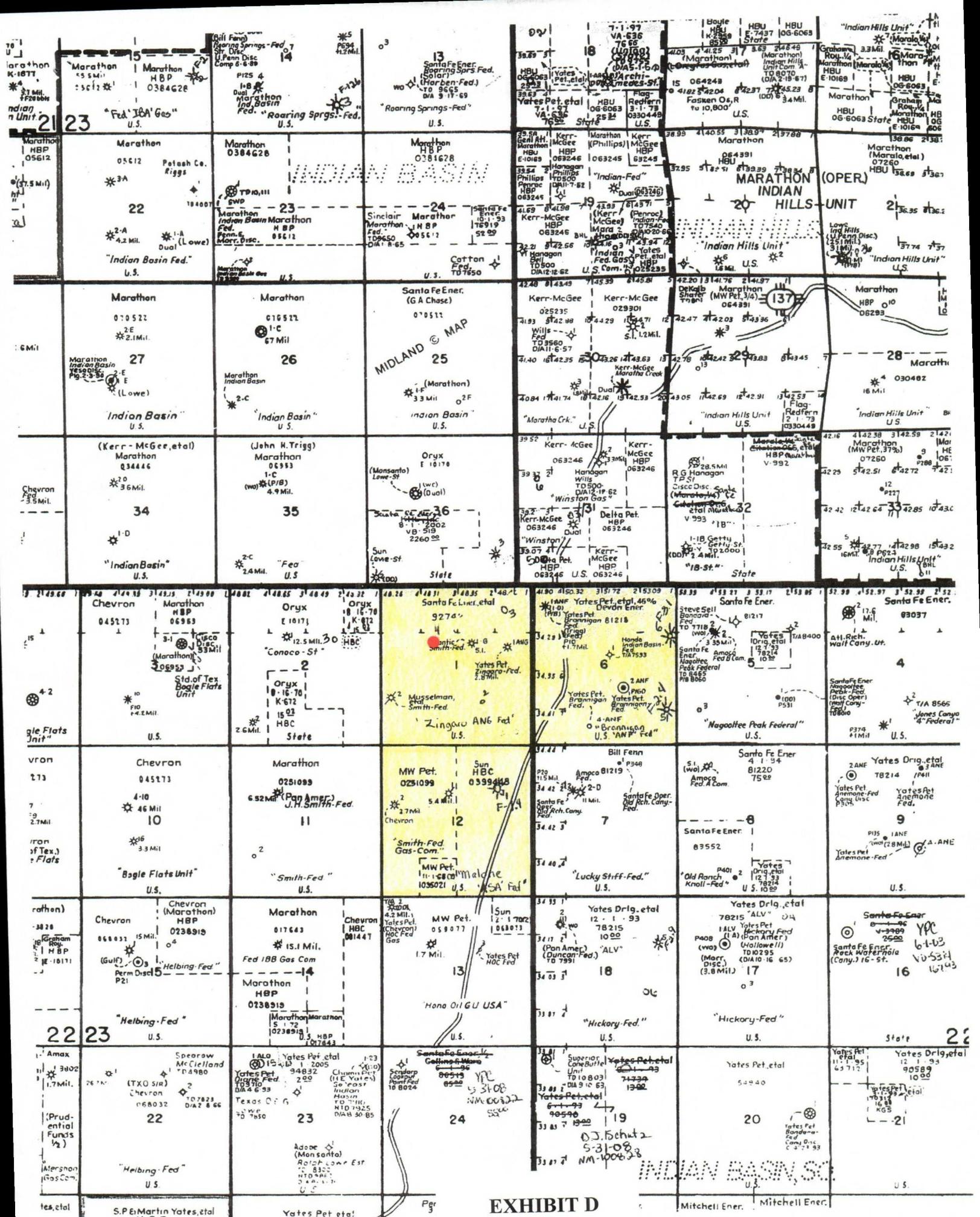
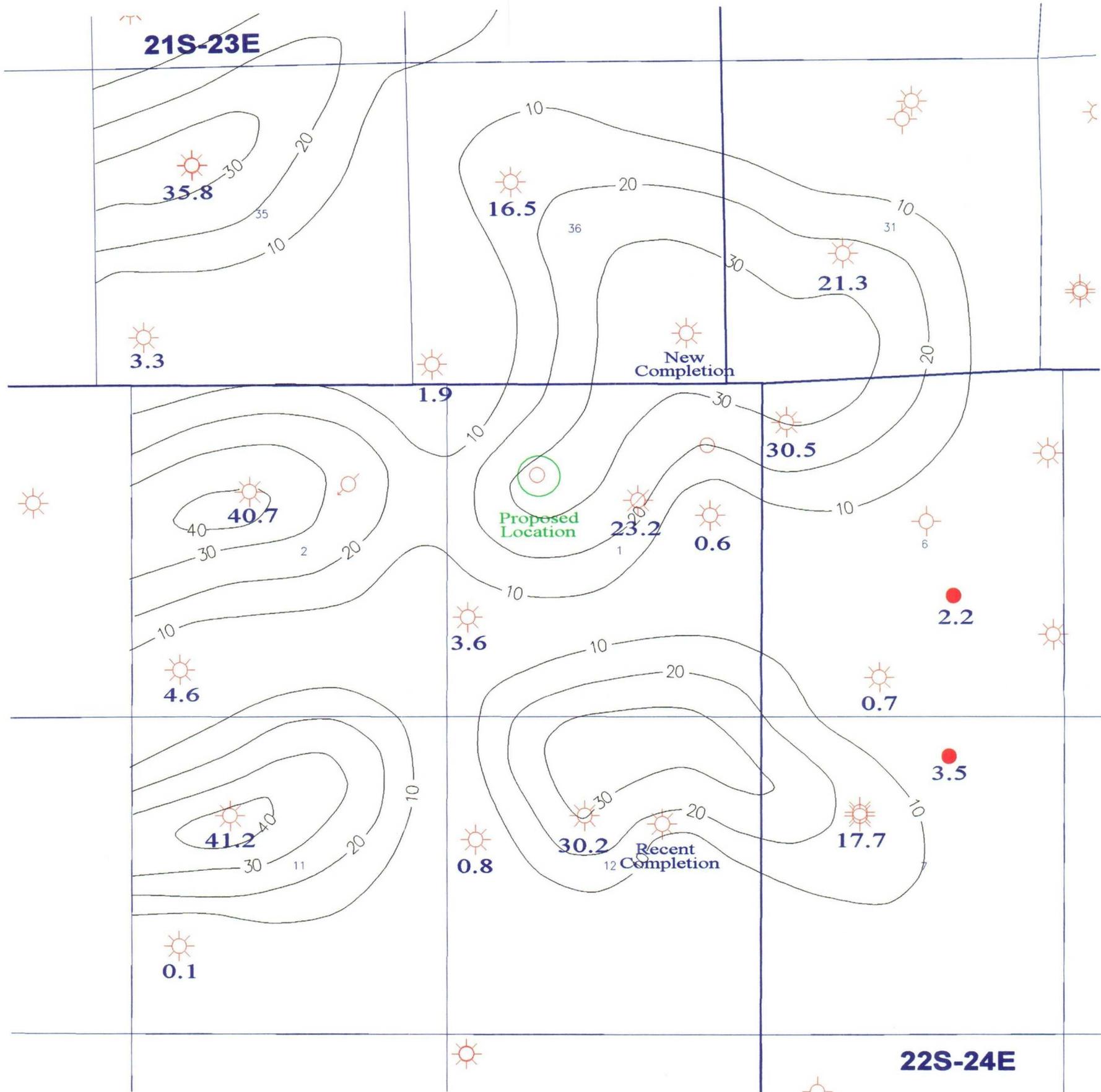


EXHIBIT D

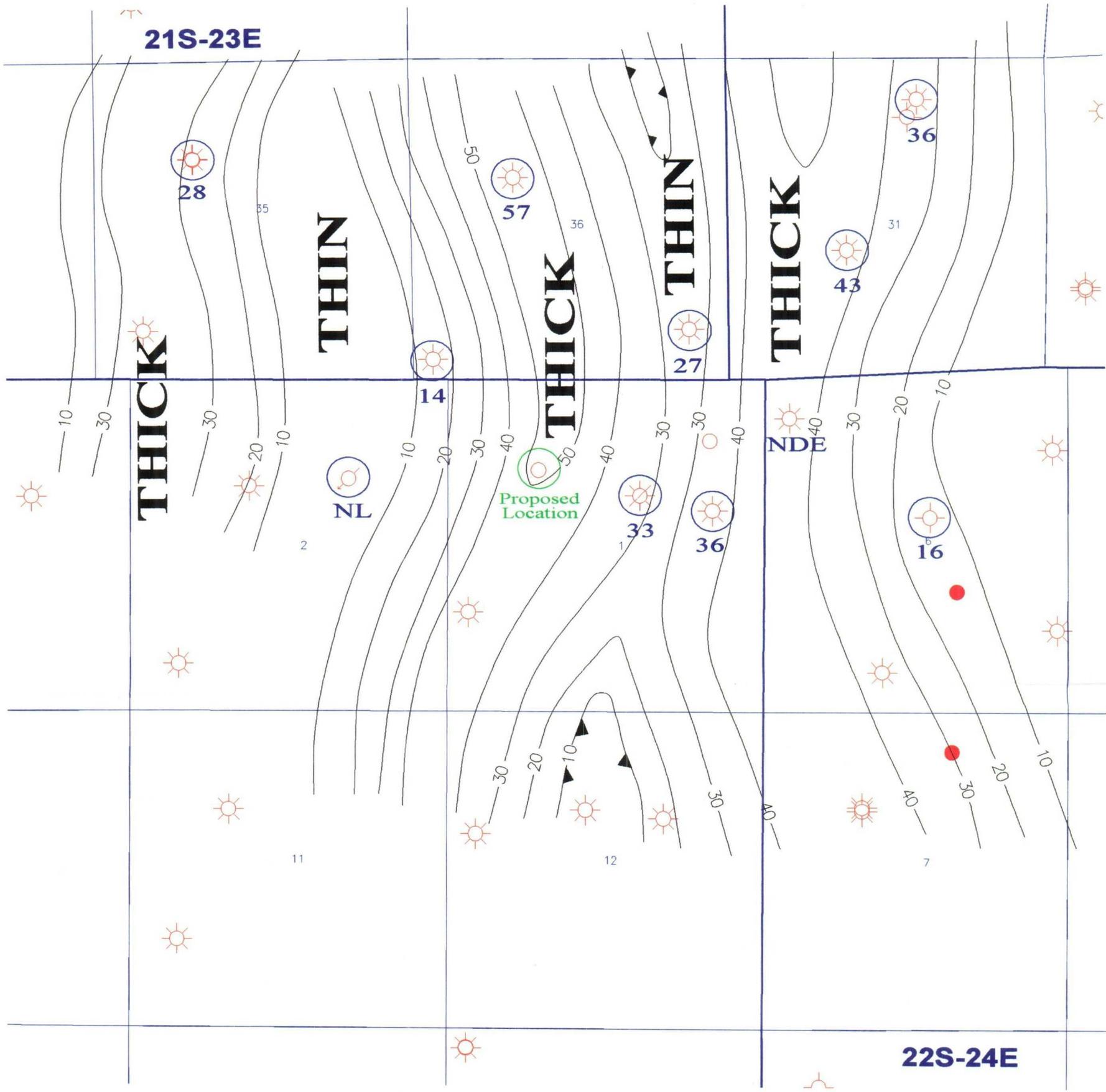
INDIAN BASIN, SC.

Mitchell Ener. Mitchell Ener.



Yates Petroleum Corporation		
Indian Basin Area Cumulative Production Map Upper Penn Production in BCF		
Geol: Brent May		1/21/99
TFIBCUMP.gpf	Scale 1:24000.	T. Fuentes

EXHIBIT C



Yates Petroleum Corporation		
Indian Basin Area Sand Map Morrow Clastics Section		
Geol: Brent May	GR ≤ 50 API	1/21/99
TFIBCNTR.gpf	Scale 1:24000.	T. Fuentes

○ Morrow Penetration