

2-8-06 DATE IN	2-28-06 SUSPENSE	ENGINEER MS	LOGGED IN MS	TYPE NSL	PMESO-606/53/88 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 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

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

RECEIVED
FEB 08 4:00

[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.

ERNEST L. CARROLL
Print or Type Name

Ernest L. Carroll
Signature

SENIOR LANDMAN
Title

02/06/2006
Date

e-mail Address

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

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JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 6, 2006

***Sent Via Certified Mail
Return Receipt Requested
#7005 1160 0001 0696 0385***

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attrn: Mr. Michael E. Stogner

***Re: Administrative Application of Yates Petroleum Corporation for
Approval of an Unorthodox Gas Well Location
Chaves County, New Mexico***

Dear Mr. Stogner:

Yates Petroleum Corporation, in accordance with Division General Rule 19 NMAC 15.C.104.F, hereby applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location, for the purpose of producing any and all gas from the surface to the base of the Ordovician dolomite. Yates Petroleum Corporation proposes a re-entry of the (Maxus Exploration) Newkumet Federal № 1 well (hereby renamed the Applesauce AZR Federal #1) located in an unorthodox gas well location of 500' FNL & 990' FWL (Unit D) in Section 25 of Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico. A 320-acre spacing unit consisting of the N½ of Section 25 will be dedicated to this well. In support of this application, Yates Petroleum Corporation states:

1. The subject wellbore formerly known as the Newkumet Federal #1 well was drilled to the Devonian formation by Maxus Exploration Company .
2. Yates Petroleum Corporation is the operator of the subject well and is a working interest owner in the N½ of Section 25 (refer to enclosed Exhibit № 1).
3. Yates Petroleum Corporation proposes to re-enter and drill-out its Applesauce AZR Federal #1 at an unorthodox gas well location of 500' FNL and 990' FWL (Unit D) in Section 25 of Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico (refer to enclosed Exhibit № 2).
4. The subject well is to be re-entered at an unorthodox location in an attempt to economically determine the potential to produce gas from the formations that require a 320-acre spacing unit (refer to enclosed Exhibit № 3).
5. In the event the Ordovician dolomite is not capable of commercial production in this well, then Yates Petroleum Corporation intends to test all possible gas formations above the Ordovician dolomite formation.

6. The lease on which this well is located is the entire spacing unit dedicated to this well.
7. The leases that are encroached on to the North are identified in Exhibit № 1, and the owners are identified on Exhibit № 4. Waivers have been requested from affected persons as defined by 19 NMAC 15.N.1207.A.2, and will be forwarded to the Division if obtained (refer to enclosed Exhibits № 1 and № 4).
8. Fi-Ro Corporation is the operator of the two wells encroached on to the North located in Units C and K, and Yates Petroleum Corporation is designated operator under an Operating Agreement, for the balance of the lands in this section (refer to enclosed Exhibits № 1 and № 4).

Furthermore, Yates Petroleum Corporation respectfully requests that the Division administratively approve this matter as soon as possible as we have additional leasehold interests due to expire November 1, 2006, that could be affected by the results of this well.

Should you have any questions or require additional information, please do not hesitate to contact me at 505-748-4362.

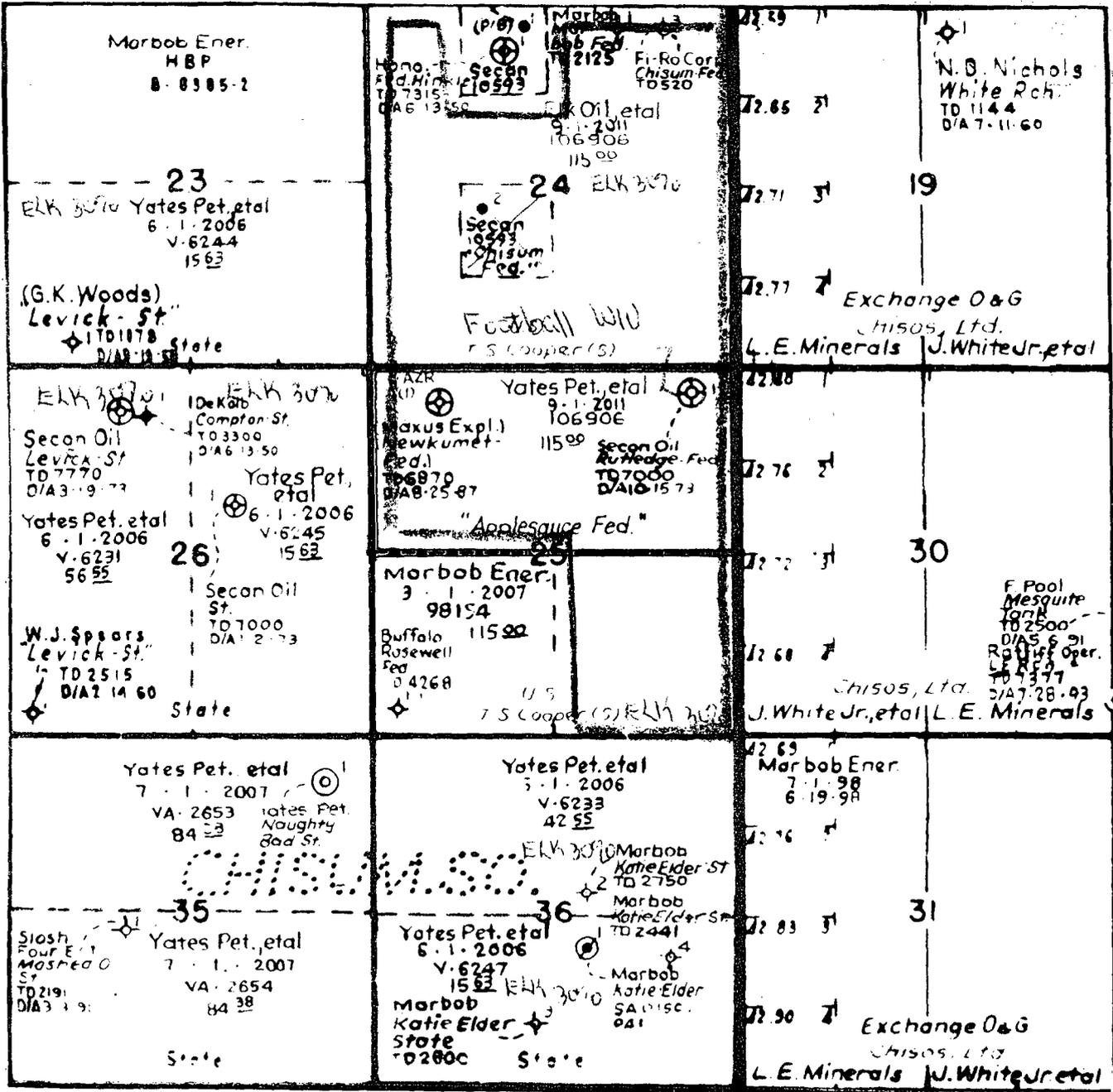
Respectfully submitted,


Ernest L. Carroll
Senior Landman

:tlh
Enclosure(s)

EXHIBIT No 1

Yates Petroleum Corporation
 Applesauce AZR Federal No 1
 Township 11 South, Range 27 East, NMPM
 Section 25: N½ (500' FNL & 990' FWL)
 Chaves County, New Mexico



N MEXICO OIL CONSERVATION COM JN
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
 Supersedes C-
 Effective 1-1-

All distances must be from the outer boundaries of the Section.

Operator MAXUS EXPLORATION CO.		Lease Federal-New Kumet Fed.		Well No. 1 68868
Unit Letter D	Section 25	Township 11-S	Range 27-E	County Chaves
Actual Footage Location of Well: 500 feet from the North line and 990 feet from the West line				
Ground Level Elev. 3754'	Producing Formation Devonian		Pool Wildcat Devonian	Dedicated Acreage: 40 Acr

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

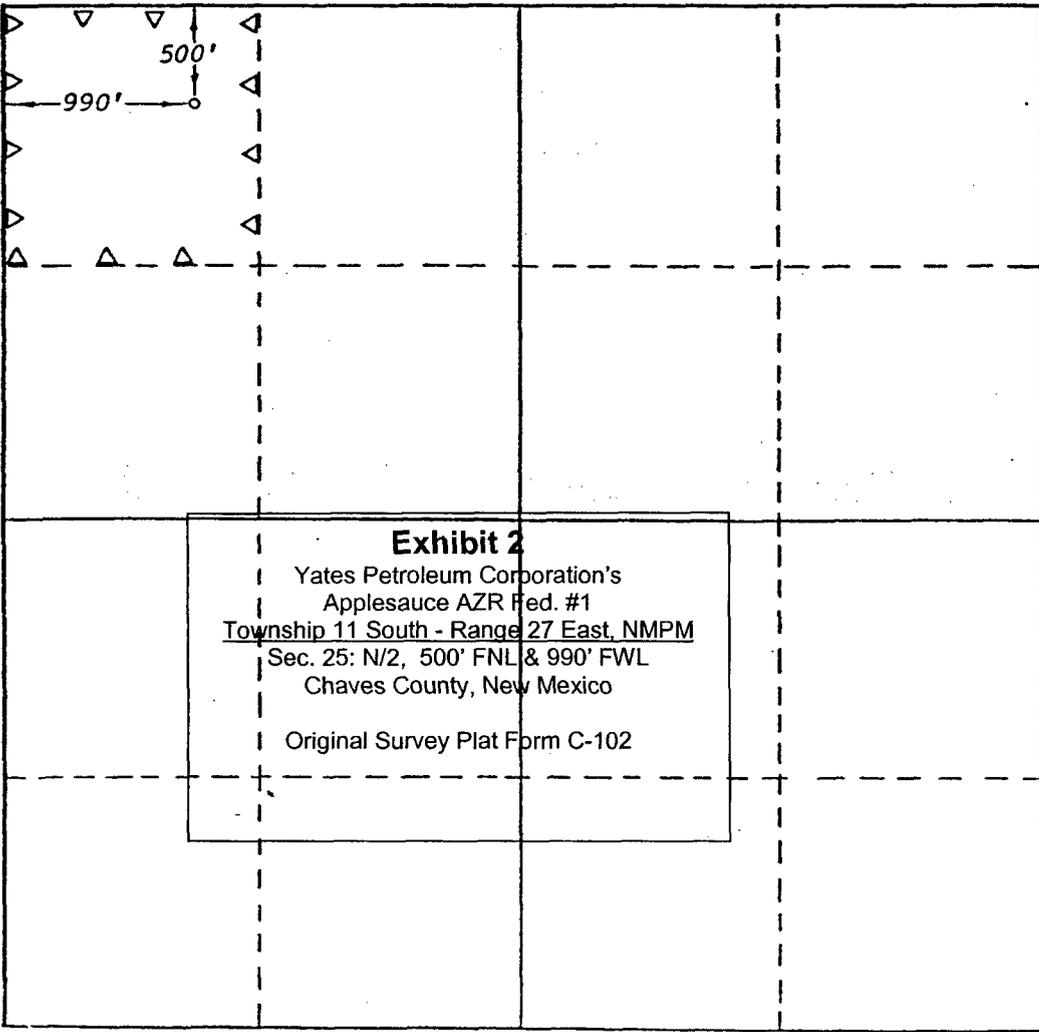
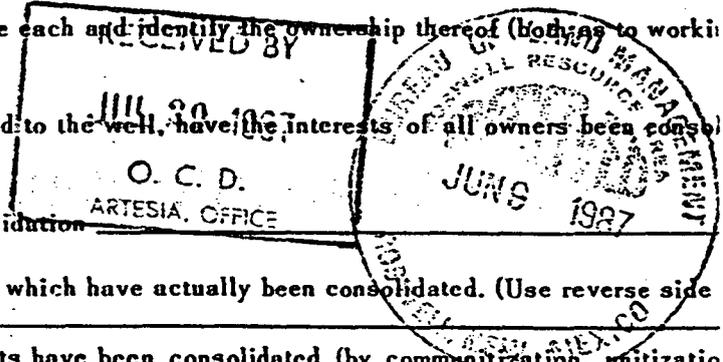


Exhibit 2
 Yates Petroleum Corporation's
 Applesauce AZR Fed. #1
Township 11 South - Range 27 East, NMPM
 Sec. 25: N/2, 500' FNL & 990' FWL
 Chaves County, New Mexico
 Original Survey Plat Form C-102

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James M. Pachulski
 Name

James M. Pachulski
 Position **Sr. Environmental & Regulation Engineer**

Company
Maxus Exploration Company

Date
June 5, 1987

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
June 1, 1987

Registered Professional Engineer and/or Land Surveyor

Gary D. Basore
 Certificate No.

6689

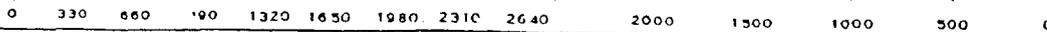


EXHIBIT № 3

Yates Petroleum Corporation
Applesauce AZR Federal № 1
(fka Maxus Federal NewKumet № 1)
Township 11 South, Range 27 East, NMPM
Section 25: N½ (500' FNL & 990' FWL)
Chaves County, New Mexico

The re-entry of the Maxus Energy well in Section 25 of Township 11 South, Range 27 East, NMPM is proposed to evaluate several potential horizons. The prospective geological horizons that Yates Petroleum Corporation will be testing are the Orodovician dolomite, the Strawn sandstones, the Cisco carbonates, the Wolfcamp carbonates, the Glorietta sandstones, and the San Andres carbonates. These horizons have the potential for natural gas and/or oil production.

Is: H. Tim Miller
H. Tim Miller

EXHIBIT № 4

Yates Petroleum Corporation
Applesauce AZR Federal № 1
Township 11 South, Range 27 East, NMPM
Section 25: N $\frac{1}{2}$ (500' FNL & 990' FWL)
Chaves County, New Mexico

Tract 1: Lease: NM-106906

Legal: Township 11 South, Range 27 East, NMPM
Section 24: E $\frac{1}{2}$, W $\frac{1}{2}$ W $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 25: N $\frac{1}{2}$, SE $\frac{1}{4}$
Chaves County, New Mexico

Operator: Yates Petroleum Corporation named Operator under Operating Agreement dated July 20, 2001, covering all depths and signed by all working interest owners

Tract 2: Lease: NM-10593

Legal: Township 11 South, Range 27 East, NMPM
Section 24: NE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$
Chaves County, New Mexico

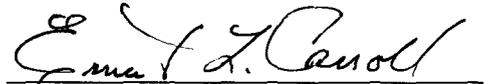
Wells: Chisum Federal № 1 (located in Unit C)
Chisum Federal № 2 (located in Unit K)

Operator: Fi-Ro Corporation
6228 Devonian Street
Roswell, NM 88201

Working Interest Owners: Secan Oil Company, Inc.
257 Hwy 61 South
Natchez, MI 39120

AFFIDAVIT OF MAILING

On this the 6th day of February 2006, I certify that a complete copy of the Administrative Application for an Unorthodox Location for the re-entry of the (Maxus Exploration Company) NewKumet Federal № 1 Well (hereby re-named the Applesauce AZR Federal #1 Well), located 500' FNL & 990" FWL (Unit D) in Section 25, Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico, was delivered by the United States Postal Service via Certified Mail, Return Receipt Requested, to the affected persons identified in the application.



Ernest L. Carroll
Ernest L. Carroll
Senior Landman

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118

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EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 6, 2006

Sent Via Certified Mail
Return Receipt Requested
#7005 1160 0001 0696 0392

Mr. Tommy McDonald, President
Fi-Ro Corporation
6228 Devonian Street
Roswell, NM 88201

Re: **Re-entry of Newkumet Federal #1**
Township 11 South, Range 27 East, NMPM
Section 25: N½ (500' FNL & 990' FWL)
Chaves County, New Mexico

Dear Mr. McDonald:

Yates Petroleum Corporation proposes to re-enter the NewKumet Federal #1 (hereby renamed the Applesauce AZR Federal #1) at an unorthodox gas well location of 500' FNL & 990' FWL in Section 25 (Unit D) of Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico. Yates proposes to dedicate a 320-acre spacing unit consisting of the N½ of Section 25

This proposed re-entry and 320-acre spacing unit is located in an unorthodox location for gas wells. We have made an application to the New Mexico Oil Conservation Division for their approval of this unorthodox location. As the operator of the offset well in Section 24 - T11S - R27E, NMPM, we are enclosing a copy of our application to the NMOCD, and request that you waive any and all objections to this proposed re-entry, by signing where indicated below and returning one copy of this letter with original signature, to me at the address listed above.

Your assistance in this matter is greatly appreciated. Should you have any questions, please do not hesitate to contact me at 505-748-4362.

Sincerely,

Ernest L. Carroll
Senior Landman

:tth
Enclosure

The undersigned represents that it is the Operator and owner of the well(s) located in Section 24 - T11S - R27E, NMPM; and hereby waives all rights and objections to the proposed re-entry of the well located in Section 25 - T11S - R27E, NMPM, Chaves County, New Mexico.

Operator: **Fi-Ro Corporation**

By: _____

Its: _____

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



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SECRETARY
DENNIS G. KINSEY
TREASURER

February 6, 2006

Sent Via Certified Mail
Return Receipt Requested
#7005 1160 0001 0696 0408

Mr. Eugene Dauphin, Jr., President
Secan Oil Company, Inc.
257 Hwy 61 South
Natchez, MI 39120

Re: **Re-entry of Newkumet Federal #1**
Township 11 South, Range 27 East, NMPM
Section 25: N $\frac{1}{2}$ (500' FNL & 990' FWL)
Chaves County, New Mexico

Dear Mr. Dauphin:

Yates Petroleum Corporation proposes to re-enter the NewKumet Federal #1 (hereby renamed the Applesauce AZR Federal #1) at an unorthodox gas well location of 500' FNL & 990' FWL in Section 25 (Unit D) of Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico. Yates proposes to dedicate a 320-acre spacing unit consisting of the N $\frac{1}{2}$ of Section 25

This proposed re-entry and 320-acre spacing unit is located in an unorthodox location for gas wells. We have made an application to the New Mexico Oil Conservation Division for their approval of this unorthodox location. As a working interest owner in the offset well in Section 24 - T11S - R27E, NMPM, we are enclosing a copy of our application to the NMOCD, and request that you waive any and all objections to this proposed re-entry, by signing where indicated below and returning one copy of this letter with original signature, to me at the address listed above.

Your assistance in this matter is greatly appreciated. Should you have any questions, please do not hesitate to contact me at 505-748-4362.

Sincerely,

Ernest L. Carroll
Senior Landman

:th
Enclosure

The undersigned represents that it is a working interest owner in the well located in Section 24 - T11S - R27E, NMPM; and hereby waives all rights and objections to the proposed re-entry of the well located in Section 25 - T11S - R27E, NMPM, Chaves County, New Mexico.

Working Interest Owner: **Secan Oil Company, Inc.**

By: _____

Its: _____