



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

August 23, 1994

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ANITA LOCKWOOD
CABINET SECRETARY

Yates Energy Corporation
P.O. Box 2323
Roswell, New Mexico 88202

Attention: Kirk Ross

Administrative Order DD-99(NSBHL)

Dear Mr. Ross:

Under the provisions of the Division's General Rules and Regulations concerning directional drilling, Rule 111 (c), (d) and (e), and for unorthodox locations, Rule 104.F, Yates Energy Corporation made application to the New Mexico Oil Conservation Division on July 15, 1994, for authorization to directionally drill its proposed Sidewinder Federal Well No. 1, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rules 111(d) and (e) and 104.F (2) and (3) of the Division General Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and mineral interest owners have been duly notified;
- (3) No objection to this application has been filed by any interested party within the required time frame; and,
- (4) The applicant has presented satisfactory evidence that all requirements prescribed in General Rule 111 have either been or will be met.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Energy Corporation, is hereby authorized to directionally drill its Sidewinder Federal Well No. 1, the surface location of which shall be 1423 feet from the South line and 2382 feet from the East line (Unit J) of Section 20, Township 24 South, Range 24 East, NMPM, Eddy County, New Mexico, by kicking off from the vertical and drilling in such a manner as to bottom in the Morrow formation within 50 feet of a target point located 660 feet from the South line and 1320 feet from the West line of said Section 20, being an unorthodox bottom-hole gas well location for said formation.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED HOWEVER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

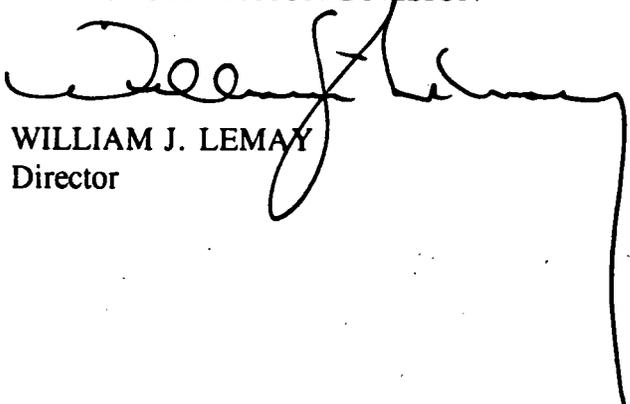
(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(4) The S/2 of said Section 20 shall be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said interval.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/MES/amg

cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad



STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

Rec. 7/18/94
 Rel 8/19/94
 DRUG FREE

BRUCE KING
 GOVERNOR

*E-mailed
 as DD-Yates*

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

ANITA LOCKWOOD
 CABINET SECRETARY

August 19, 1994

Yates Energy Corporation
 P.O. Box 2323
 Roswell, New Mexico 88202

Attention: Kirk Ross

99
 Administrative Order DD-***

Dear Mr. Ross:

Under the provisions of the Division's General Rules and Regulations concerning directional drilling, Rule 111 (c), (d) and (e), and for unorthodox locations, Rule 104.F, Yates Energy Corporation made application to the New Mexico Oil Conservation Division on July 15, 1994, for authorization to directionally drill its proposed Sidewinder Federal Well No. 1, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rules 111(d) and (e) and 104.F(3) of the Division General Rules and Regulations;
- (2) *(2) and* Satisfactory information has been provided that all offset operators and mineral interest owners have been duly notified;
- (3) No objection to this application has been filed by any interested party within the required time frame; and,
- (4) The applicant has presented satisfactory evidence that all requirements prescribed in General Rule 111 have either been or will be met.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant, Yates Energy Corporation, is hereby authorized to directionally drill its Sidewinder Federal Well No. 1, the surface location of which shall be 1423 feet from the South line and 2382 feet from the East line (Unit J) of Section 20, Township 24 South, Range 24 East, NMPM, Eddy County, New Mexico, by kicking off from the vertical and drilling in such a manner as to bottom in the Morrow formation within 50 feet of a target point

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT



Administrative Order DD-**

OIL CONSERVATION DIVISION

Yucca Energy Corporation

August 19, 1994

Page No. 2



BRUCE KING GOVERNOR ANITA LOCKWOOD CABINET SECRETARY
 Located 660 feet from the South line and 1320 feet from the West line of said Section 20, being an unorthodox bottom-hole gas well location for said formation.
 STATE LAND OFFICE BOX 2088 SANTA FE, NEW MEXICO 87504 (505) 827-5800

PROVIDED HOWEVER THAT prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED HOWEVER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(4) The S/2 of said Section 20 shall be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said interval.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

SEAL

WJL/MES/amg

cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad

OIL CONSERVATION DIVISION
RECEIVED

'94 AUG 18 AM 8 50



August 15, 1994

Michael E. Stogner
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative Approval
Unorthodox Gas Well Location
Sidewinder Federal #1
Sec 20, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. Stogner:

As per your letter of July 22, 1994, please find the attached exhibits and a geological discussion of the justification for approval of an unorthodox location for the subject well.

Also included is a waiver for the unorthodox location from Mr. Bill Hoyle, an offset mineral interest owner. We are still looking for the return of one other waiver from a mineral owner in California. As soon as it is received will forward for your review.

Should you have any questions or require additional information, please advise.

Very truly yours,
YATES ENERGY CORPORATION

A handwritten signature in black ink, appearing to read "Kirk Ross", is written over the typed name.

Kirk Ross
Engineer

Enclosures
cc: file

Application for Administrative Approval
Unorthodox Gas Well Location
Sidewinder Federal #1
Sec 20, T-24-S, R-24-E
Eddy County, New Mexico

GEOLOGICAL DISCUSSION

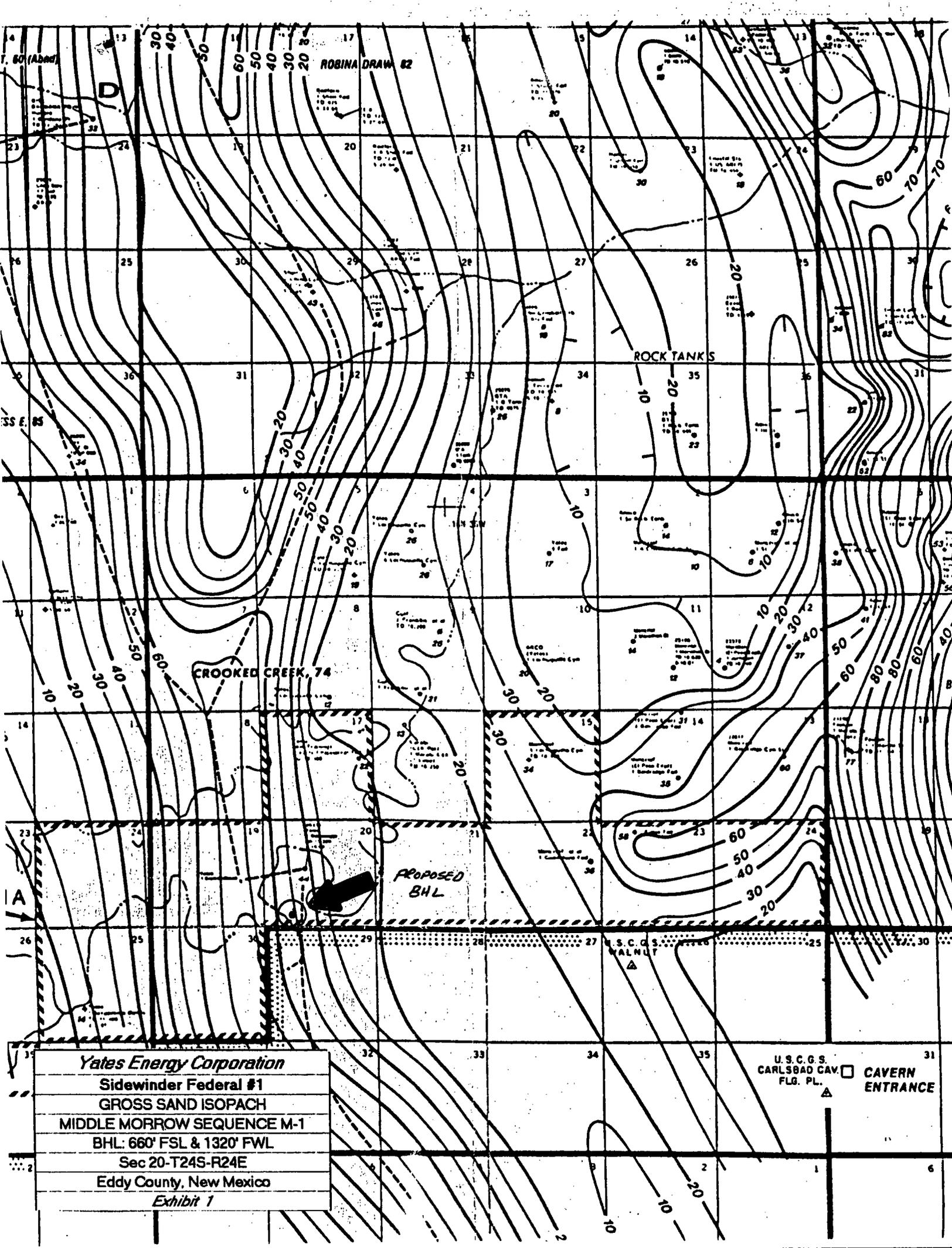
Yates Energy's Gold Nugget Prospect is located in T-24-S, R-24-E in southern Eddy County, New Mexico. This prospect is the last undeveloped significant structural nose along the Rock Tank fault system. The other two evenly spaced noses are the Rock Tank field (59.0 BCF) and the Catclaw Draw field (95.9 BCF). Offset production consists of the Crooked Creek field immediately northeast, the Baldrige Canyon field several miles east-northeast and the Hess East 3 miles northwest.

Structurally, the prospect is located highside of the regional northeast-southwest striking Rock Tank fault system. Just to the south of the prospect the major Huapache fault system strikes northwest-southeast. A significant southeast plunging structural nose is given updip closure by the 700 feet Rock Tank fault. The amplitude and character of the structural nose is similar to the structural noses which are responsible for the Rock Tank and Catclaw Draw fields.

Stratigraphically, the same middle Morrow channel systems which have produced 56.2 BCF from the Washington Ranch field 8 miles to the south-southeast are interpreted to cross the Gold Nugget prospect. Two major Morrow channel systems, the M-1 and M-3, are the primary objectives for this well. As evident on the accompanying Gross Sand Isopach Maps (Exhibit 1 and 2) for the Middle Morrow Sequence M-1 and M-3, the axis of both NW-SE striking channel systems intersect the southwest corner of Section 20. Our proposed bottom hole location of 660' FSL & 1320' FWL will give us the optimal location from the deviated well. It is necessary to be unorthodox from the west line in order to penetrate the maximum amount of Morrow sand. As you approach the axis of the depositional systems, the porosity and permeability improves significantly and therefore deliverability and total reserves also improve.

Reserves and deliverability are also significantly enhanced on structural positives. As shown on the accompanying structure map, Exhibit 3, the axis of the aforementioned structural nose strikes NW-SE in the eastern half of Section 19. Our bottomhole location allows optimum utilization of the structural enhancement.

In summary, our unorthodox location reduces structural and stratigraphic risk and allows us to achieve maximum recovery efficiency of the Morrow gas reserves.



ROBINA DRAW #2

ROCK TANKS

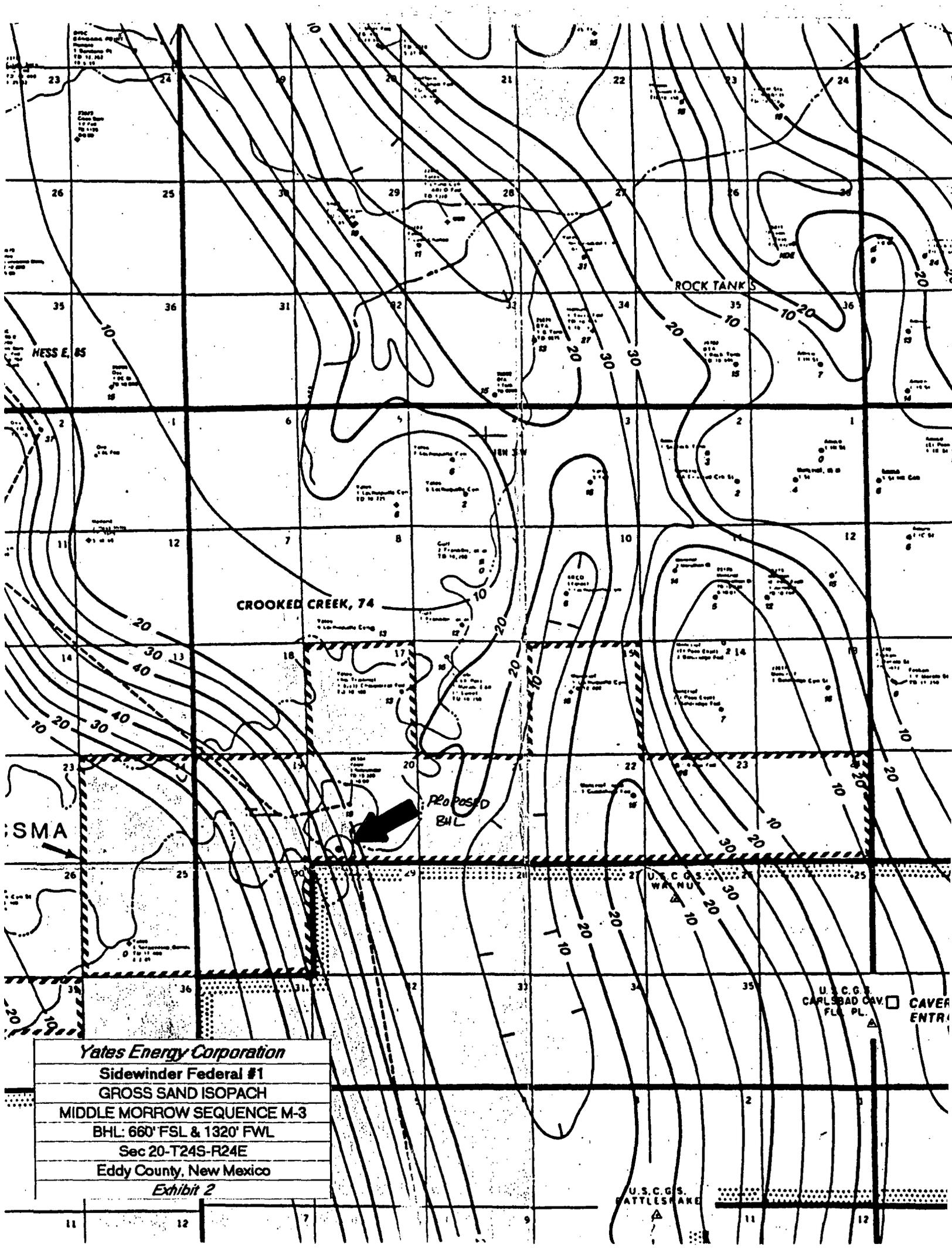
CROOKED CREEK, 74

PROPOSED
BHL

U.S.C.G.S.
CARLSBAD CAV.
FLG. PL.

CAVERN
ENTRANCE

Yates Energy Corporation
 Sidewinder Federal #1
 GROSS SAND ISOPACH
 MIDDLE MORROW SEQUENCE M-1
 BHL: 660' FSL & 1320' FWL
 Sec 20-T24S-R24E
 Eddy County, New Mexico
 Exhibit 1



Yates Energy Corporation
Sidewinder Federal #1
GROSS SAND ISOPACH
MIDDLE MORROW SEQUENCE M-3
BHL: 660' FSL & 1320' FWL
Sec 20-T24S-R24E
Eddy County, New Mexico
Exhibit 2

U.S. C.G.S.
PATTLESHAKE

U.S. C.G.S.
CARLSBAD CAV.
FLD. PL. CAVER
ENTR

11

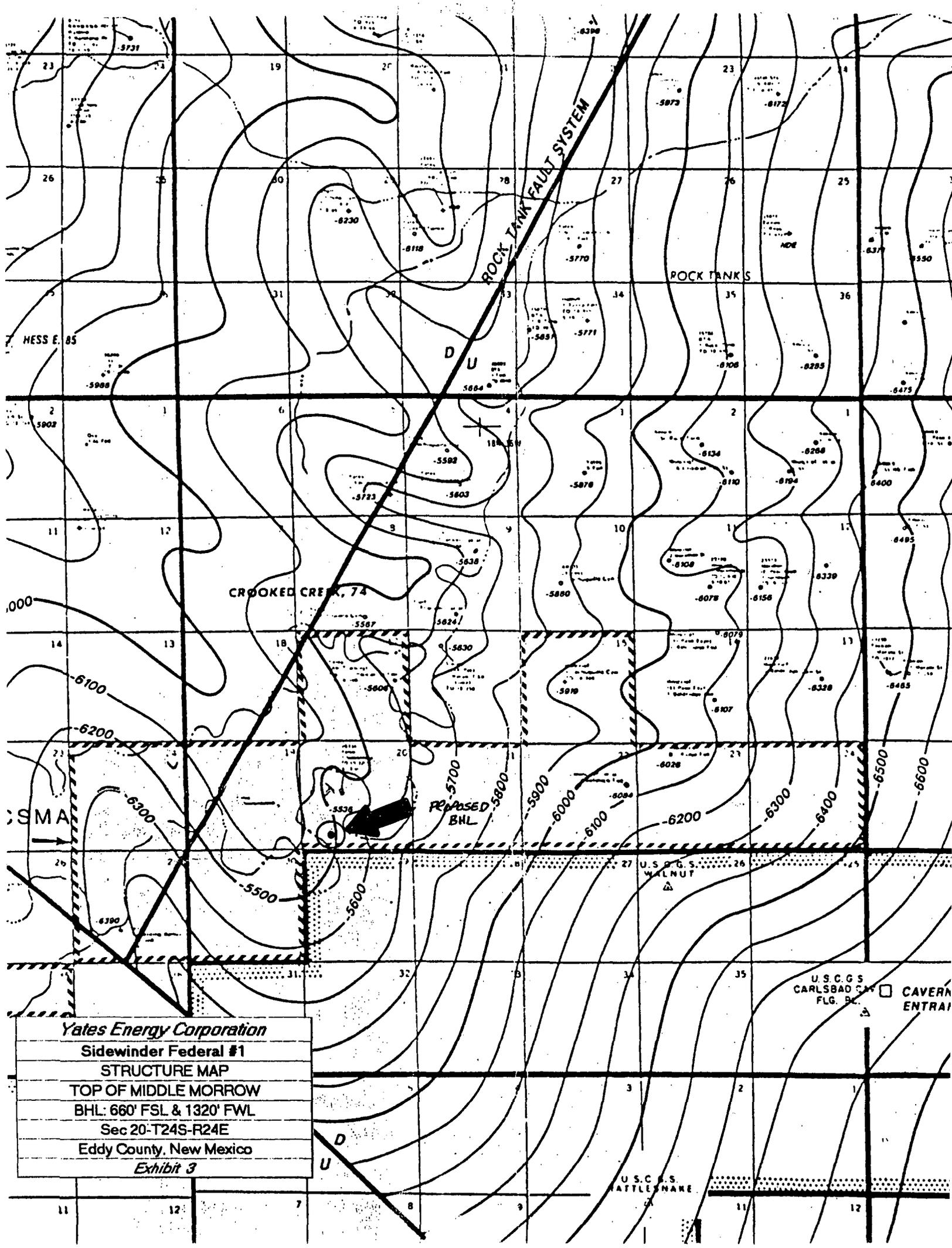
12

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9

11

12



<i>Yates Energy Corporation</i>
Sidewinder Federal #1
STRUCTURE MAP
TOP OF MIDDLE MORROW
BHL: 660' FSL & 1320' FWL
Sec 20-T24S-R24E
Eddy County, New Mexico
<i>Exhibit 3</i>

U.S.C.G.S.
RATTLESNAKE

U.S.C.G.S.
CARLSBAD
FLG. BC. CAVERN
ENTRAI



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
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ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

July 22, 1994

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202

Attention: Kirk Ross

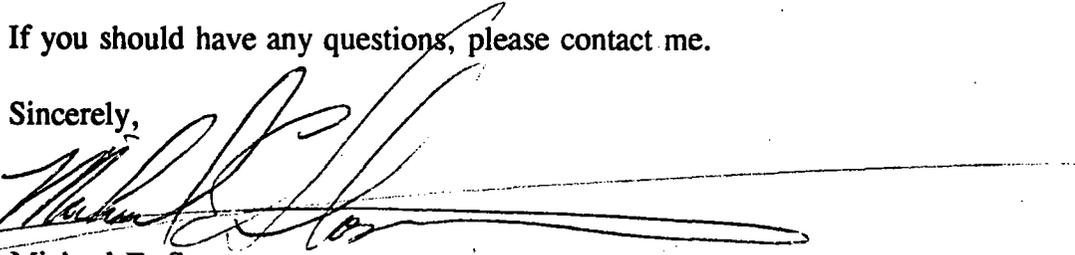
RE: *Administrative application for directional drilling and an unorthodox bottom-hole gas well location. Sidewinder Federal Well No. 1. S/2 of Section 20, Township 24 South, Range 24 East, NMPM, to test the Morrow formation, Eddy County, New Mexico.*

Dear Mr. Ross:

Please supplement your application dated July 15, 1994 with the technical information required under Division General Rule 104.F(3).

If you should have any questions, please contact me.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/amg

cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad

WAIVER

I, as an offset mineral interest owner, waive any objection before the New Mexico Conservation Division for Yates Energy Corporation to drill it's Sidewinder Federal #1 at an unorthodox bottomhole location of 1320' FWL and 660' FSL of Section 20, T-24-S, R-24-E, Eddy County, New Mexico, for a 320 acre gas spacing and proration unit comprising the south half of Section 20.

By:

Bill Hoyle

Bill Hoyle

Date:

7-27-94

- (i) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (ii) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.
- (iii) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (iv) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the Division or any of its agents without such proper designation of acreage.

F. UNORTHODOX LOCATIONS

(1) The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, or to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(2) The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I.(a) and Rule 104 C.II.(a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

(3) Applications for administrative approval of unorthodox locations shall be filed in TRIPLICATE and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location. If the proposed unorthodox location is based upon geology as provided in Paragraph (2) above, the application shall include appropriate geologic maps, cross-sections, and/or logs, and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

- (i) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (ii) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.
- (iii) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (iv) In lieu of paragraph (i) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

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(2) The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I.(a) and Rule 104 C.II.(a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

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- (i) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (ii) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.
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- (iv) In lieu of paragraph (i) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

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(2) The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I.(a) and Rule 104 C.II.(a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

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- (iv) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

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(2) The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I.(a) and Rule 104 C.II.(a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

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- (iv) In lieu of paragraph (iii) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

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(2) The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I.(a) and Rule 104 C.II.(a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

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OIL CONSERVATION DIVISION
RECEIVED

'94 JUL 18 AM 8 50



July 15, 1994

Mr. William Lemay
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative Approval
Unorthodox Gas Well Location
Sidewinder Federal #1
Sec 20, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. Lemay

Yates Energy Corporation is the operator of S/2, Sec 20, T-24-S, R-24-E and proposes to drill the Sidewinder Federal #1 as a directional well to the Morrow formation from a surface location of 1423' FSL & 2382' FEL to a bottomhole unorthodox location at the Morrow of 1320' FWL and 660' FSL of same Section 20.

This unorthodox location is needed based on geological considerations, therefore, Yates Energy respectfully requests that the Division Director grant an exception to Rule 104 B.1.(a) without hearing as allowed under the Rules and Regulations (Rule 104 F.2) of the State of New Mexico Oil Conservation Division.

Attached please find a plat showing the ownership of all offsetting leases. There are no offset operators, other than Yates Energy Corporation. There is one unleased fee tract adjoining this acreage and all mineral owners have been notified and requests for waivers sent. All waiver letters will be forwarded to you upon receipt. Also attached is a copy of our APD, filed with the Bureau of Land Management and For C-102

Your favorable consideration and assistance in this matter is greatly appreciated.

Very truly yours,
YATES ENERGY CORPORATION

A handwritten signature in black ink, appearing to read "Kirk Ross", is written over the typed name.

Kirk Ross
Engineer

Enclosure

cc: BLM - Carlsbad
file

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
DRILL **DEEPEN**

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 YATES ENERGY CORPORATION

3. ADDRESS AND TELEPHONE NO.
 P.O. BOX 2323 Roswell, NM 88202 505-623-4935

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface: 1423' FSL & 2382' FEL
 At proposed prod. zone: 1320' FWL & 660' FSL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 10 Miles WNW of Whites City, New Mexico

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Add to deepest dip, unit line, if any)
 103' Surface 660' BHL

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 N/A

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 4230' GR

5. LEASE DESIGNATION AND SERIAL NO.
 NM-81894

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
 SIDERWINDER FEDERAL #1

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT
 SERPENTINE BENDS, WILDCAT

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 SEC 20, T-24-S, R-24-E

12. COUNTY OR PARISH 18. STATE
 Eddy NM

17. NO. OF ACRES ASSIGNED TO THIS WELL
 320

20. ROTARY OR CABLE TOOLS
 Rotary

22. APPROX. DATE WORK WILL START*
 ASAP

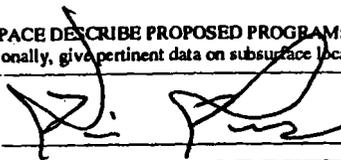
23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 7/8"	54.5#	300'	400 sx - circulated
12 1/4"	9 5/8"	36#	2400'	1150 sx - circulated
8 3/4"	5 1/2"	17#	10,400'	500 sx - as needed

THIS WELL IS TO BE DRILLED AS A VERTICAL WELL THROUGH THE DELAWARE INTERVAL AT THE SURFACE LOCATION AND THEN DIRECTIONALLY, WITH THE KICK OFF POINT LOCATED IN THE BONE SPRING FORMATION, TO A BOTTOM HOLE LOCATION OF 1320' FWL & 660' FSL AT THE MORROW FORMATION. WILL DRILL TO TEST THE DELAWARE, MORROW AND INTERMEDIATE FORMATIONS.

SEE ATTACHED FOR: SUPPLEMENTAL DRILLING DATA
 BOP AND CHOKE DIAGRAM SKETCH
 SUFACE USE AND OPERATION PLAN

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED:  TITLE: ENGINEER DATE: 7/14/94

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

*See Instructions On Reverse Side

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-88

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 58240

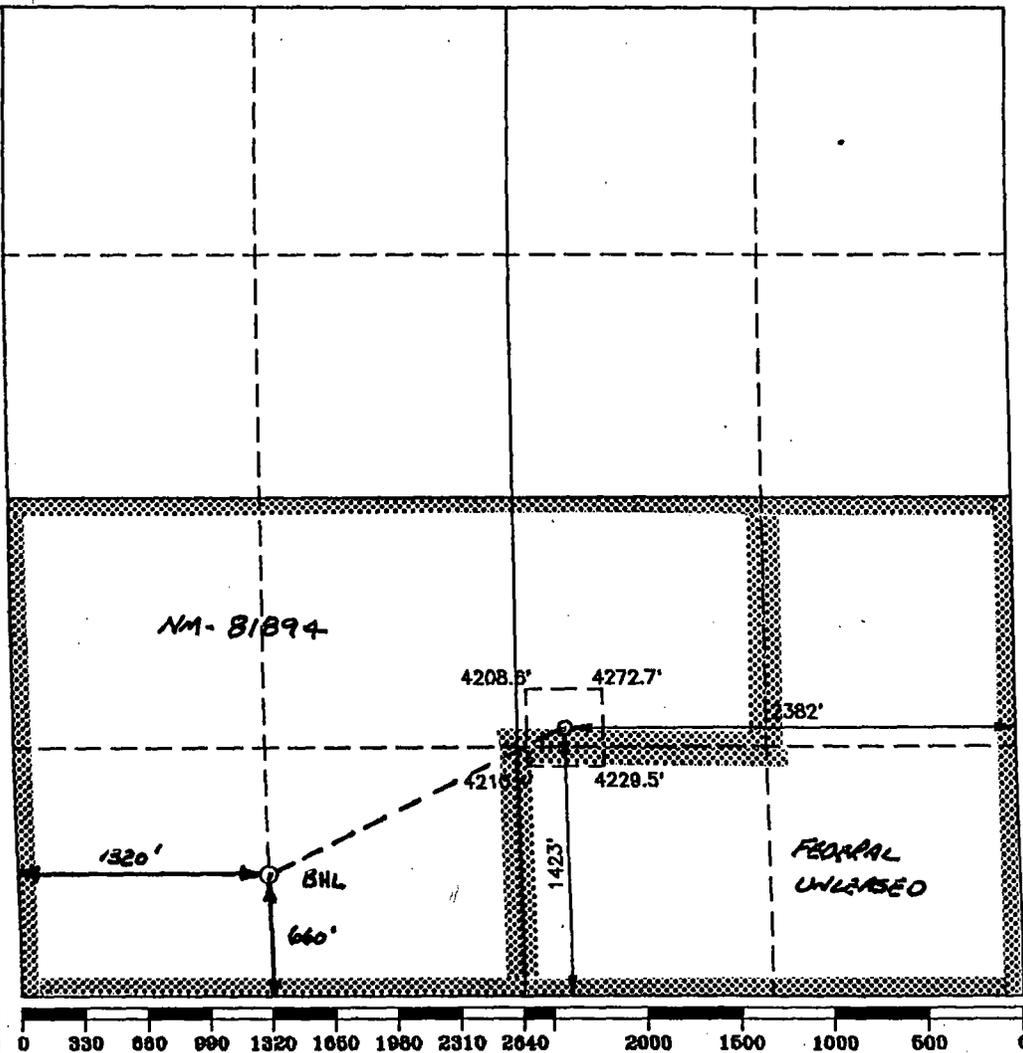
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Elva Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
All Distances must be from the outer boundaries of the section

Operator YATES ENERGY CORPORATION		Lease SIDEWINDER FEDERAL		Well No. 1
Unit Letter J	Section 20	Township 24 SOUTH	Range 24 EAST	County EDDY
Actual Footage Location of Well: 1423 feet from the SOUTH line and 2382 feet from the EAST line				
Ground Level Elev. 4230'	Producing Formation DELANQUE, MALLOW		Pool SERPENTINE BEADS	Dedicated Acreage: 320 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
 - If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
 - If more than one lease of different ownership is dedicated to the well, have the interest 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 of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary.)
- No allowable will be assigned to the well unit all interests have been consolidated (by communitization, unitization, force-pooling, otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature _____

Printed Name
KIM ROSS

Position
ENGINEER

Company
YATES ENERGY CORP.

Date
7/13/94

SURVEYOR CERTIFICATION

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

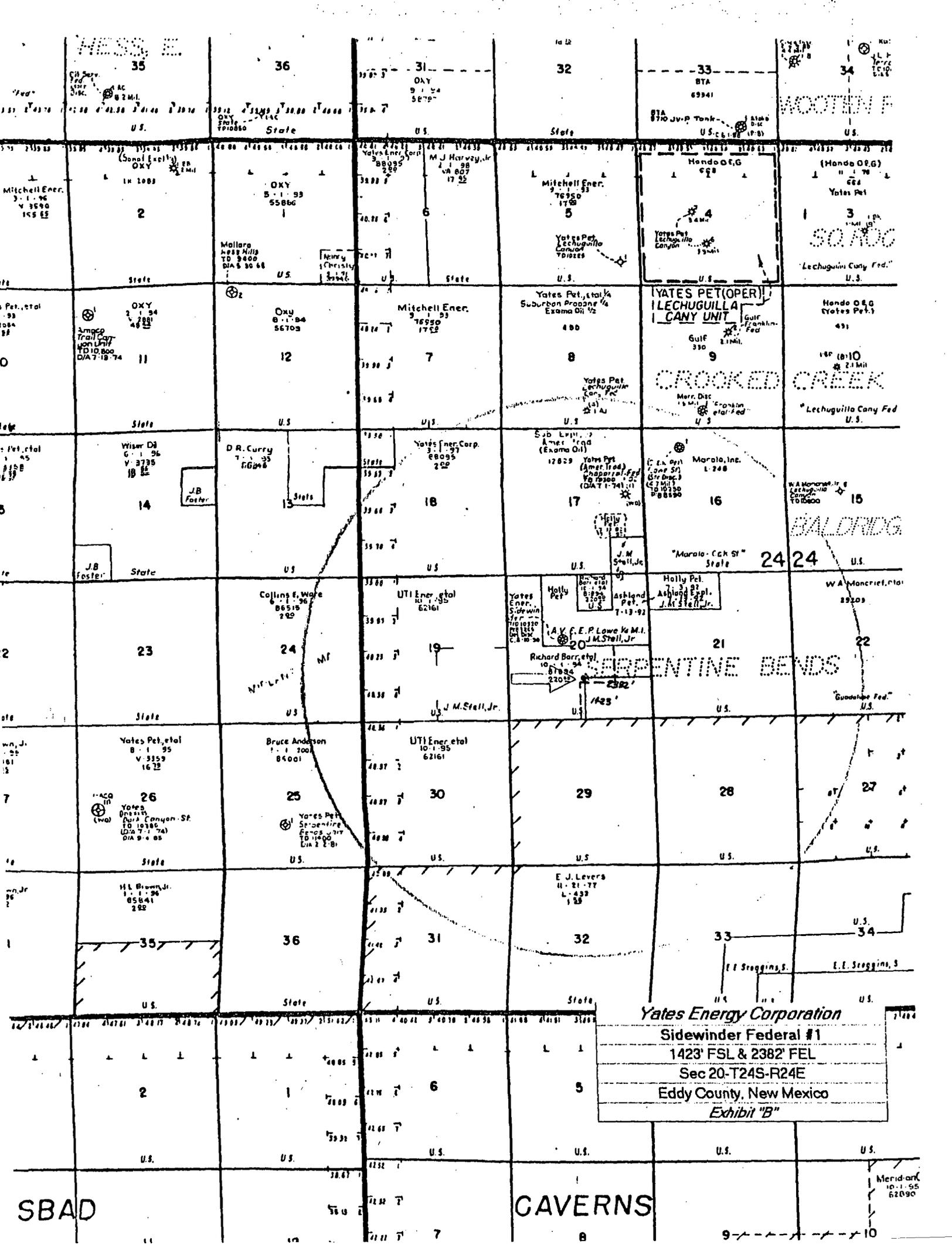
Date Surveyed
FEBRUARY 17, 1994

Signature & Seal of Professional Surveyor
[Signature]

Certificate No. **7977**

JOHN W. WEST, 676
RONALD J. EIDSON, 3236
GARY L. JONES, 7977

94-11-0306



Yates Energy Corporation
 Sidewinder Federal #1
 1423' FSL & 2382' FEL
 Sec 20-T24S-R24E
 Eddy County, New Mexico
 Exhibit "B"

SBAD

CAVERNS

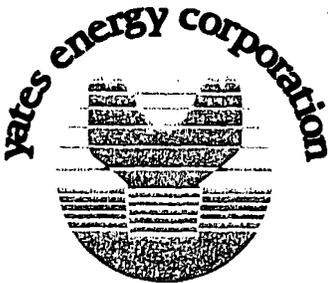
Meridian
 10-1-95
 62090

COUNTY Eddy POOL Crooked Creek - Morrow Gas

TOWNSHIP 24 South RANGE 24 East NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: $\frac{1}{2}$ Sec 9 (R-5063, 7-1-75)
 Ext: $\frac{1}{2}$ Sec 9 (R-5511, 9-1-77) Ext: All Sec 4 (R-5729, 6-1-78)
 Ext: $\frac{1}{2}$ Sec 16 (R-5838, 11-1-78) Ext: $\frac{1}{2}$ Sec 8 (R-6368, 7-1-80)
 Ext: $\frac{1}{2}$ Sec 10 (R-6576, 2-4-81) Ext: $\frac{1}{2}$ Sec 12 (R-6657, 4-20-81)
 EXT: $\frac{1}{2}$ sec 3, $\frac{1}{2}$ sec 10 (R-7009, 6-19-82)



July 15, 1994

Mr. William Lemay
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative Approval
Unorthodox Gas Well Location
Sidewinder Federal #1
Sec 20, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. Lemay

Yates Energy Corporation is the operator of S/2, Sec 20, T-24-S, R-24-E and proposes to drill the Sidewinder Federal #1 as a directional well to the Morrow formation from a surface location of 1423' FSL & 2382' FEL to a bottomhole unorthodox location at the Morrow of 1320' FWL and 660' FSL of same Section 20.

This unorthodox location is needed based on geological considerations, therefore, Yates Energy respectfully requests that the Division Director grant an exception to Rule 104 B.1.(a) without hearing as allowed under the Rules and Regulations (Rule 104 F.2) of the State of New Mexico Oil Conservation Division.

Attached please find a plat showing the ownership of all offsetting leases. There are no offset Operators, other than Yates Energy Corporation. There is one unleased fee tract adjoining this acreage and all mineral owners have been notified and requests for waivers sent. All waiver letters will be forwarded to you upon receipt. Also attached is a copy of our APD, filed with the Bureau of Land Management and For C-102

Your favorable consideration and assistance in this matter is greatly appreciated.

Very truly yours,
YATES ENERGY CORPORATION

Kirk Ross
Engineer

Enclosure

cc: BLM - Carlsbad
file

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. NM-81894	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR YATES ENERGY CORPORATION		7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. P.O. BOX 2323 Roswell, NM 88202 505-623-4935		8. FARM OR LEASE NAME, WELL NO. SIDEWINDER FEDERAL #1	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)* At surface 1423' FSL & 2382' FEL At proposed prod. zone 1320' FWL & 660' FSL		9. API WELL NO.	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 10 Miles WNW of Whites City, New Mexico		10. FIELD AND POOL, OR WILDCAT SERPENTINE BENDS, WILDCAT	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest dirg. unit line, if any) 103' Surface 660' BHL		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA SEC 20, T-24-S, R-24-E	
16. NO. OF ACRES IN LEASE 320		12. COUNTY OR PARISH Eddy	
17. NO. OF ACRES ASSIGNED TO THIS WELL 320		13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. N/A		19. PROPOSED DEPTH 10,400 TD	
20. ROTARY OR CABLE TOOLS Rotary		21. APPROX. DATE WORK WILL START* ASAP	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 4230' GR		22. APPROX. DATE WORK WILL START* ASAP	

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 7/8"	54.5#	300'	400 sx - circulated
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BOP AND CHOKE DIAGRAM SKETCH
SURFACE USE AND OPERATION PLAN

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24. [Signature] TITLE ENGINEER DATE 7/14/94

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

*See Instructions On Reverse Side

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-88

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

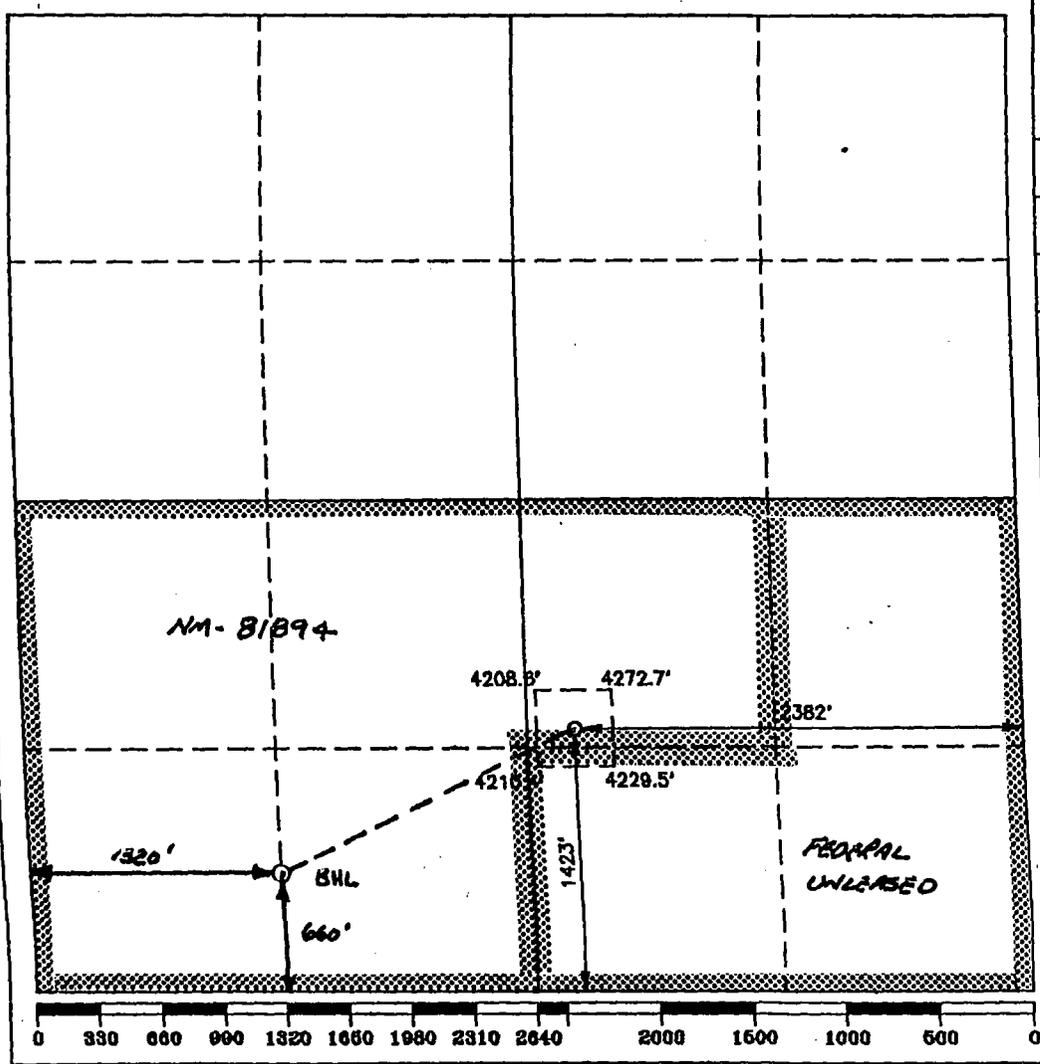
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

DISTRICT III
1000 Rio Brazos Rd., Arisco, NM 87410

Operator YATES ENERGY CORPORATION			Lease SIDEWINDER FEDERAL		Well No. 1
Unit Letter J	Section 20	Township 24 SOUTH	Range 24 EAST	NMPM	County EDDY
Actual Footage Location of Well: 1423 feet from the SOUTH line and 2382 feet from the EAST line					
Ground Level Elev. 4230'	Producing Formation DELANQUE, MARIAN		Pool SERPENTINE BEADS		Dedicated Acreage: 320 Acres
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.</p> <p>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).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____</p> <p>If answer is "no" list of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary.)</p> <p>No allowable will be assigned to the well unit all interests have been consolidated (by communitization, unitization, forced-pooling, otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>					



OPERATOR CERTIFICATION

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

Signature _____

Printed Name
ALAN ROSS

Position
ENGINEER

Company
YATES ENERGY CORP.

Date
7/13/94

SURVEYOR CERTIFICATION

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

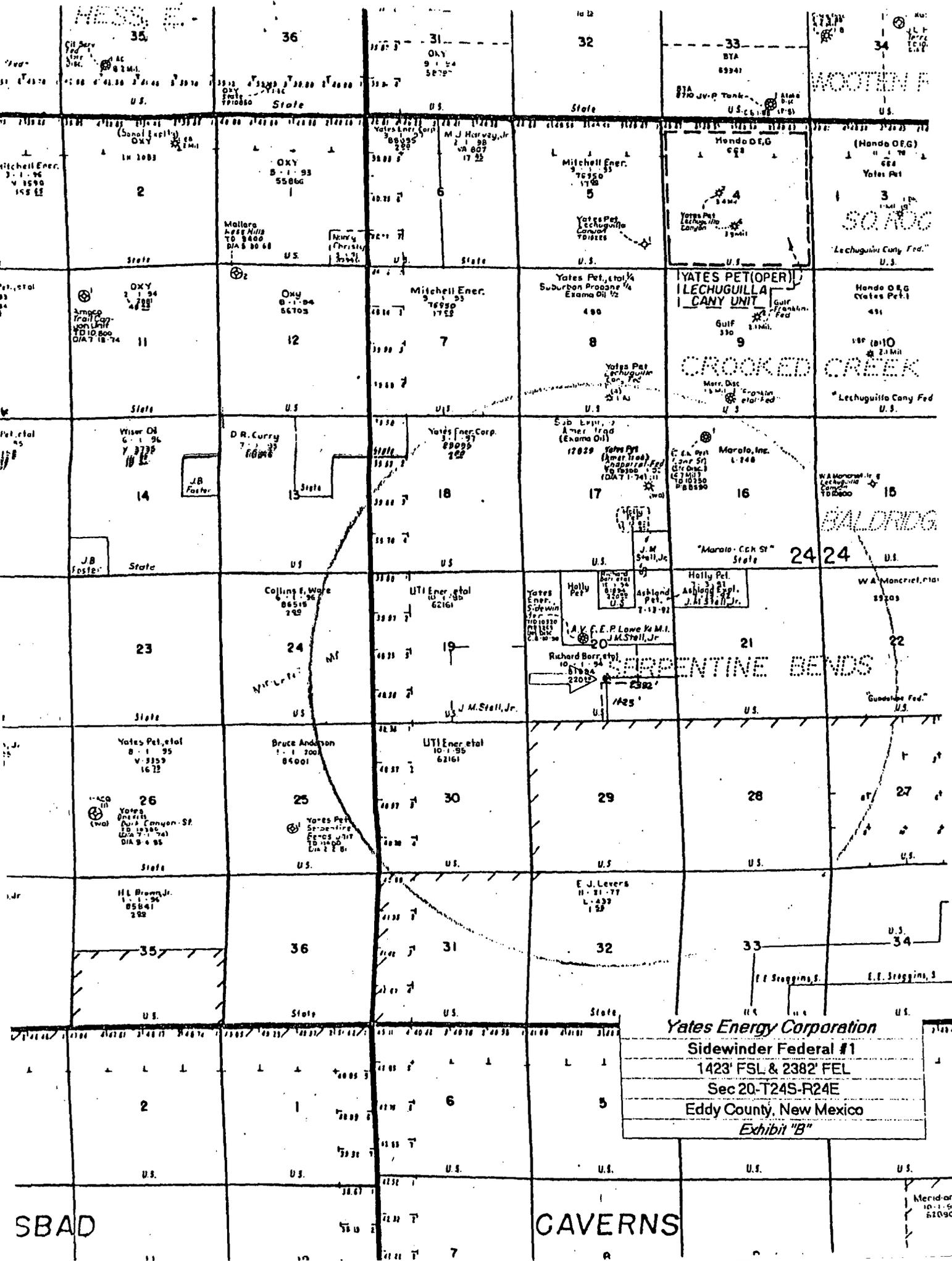
Date Surveyed
FEBRUARY 17, 1994

Signature & Seal of Professional Surveyor
[Signature]

REGISTERED PROFESSIONAL SURVEYOR
7977

Certificate No. **JOHN W. WEST, 876**
RONALD J. EIDSON, 3258
GARY L. JONES, 7977

94-11-0306

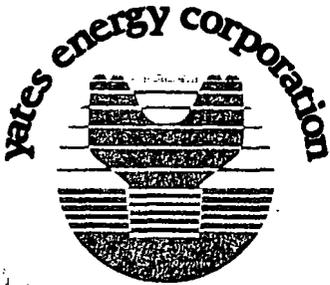


Yates Energy Corporation
Sidewinder Federal #1
 1423' FSL & 2382' FEL
 Sec 20-T24S-R24E
 Eddy County, New Mexico
 Exhibit "B"

SBAD

CAVERNS

Meridian
10-1-95
51090



July 15, 1994

Mr. William Lemay
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative Approval
Unorthodox Gas Well Location
Sidewinder Federal #1
Sec 20, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. Lemay

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Your favorable consideration and assistance in this matter is greatly appreciated.

Very truly yours,
YATES ENERGY CORPORATION

Kirk Ross
Engineer

Enclosure

cc: BLM - Carlsbad
file

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		6. LEASE DESIGNATION AND SERIAL NO. NM-81894	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		8. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR YATES ENERGY CORPORATION		7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. P.O. BOX 2323 Roswell, NM 88202 505-623-4935		8. FARM OR LEASE NAME, WELL NO. SIDEWINDER FEDERAL #1	
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21. ELEVATIONS (Show whether DF, RT, GR, etc.) 4230' GR		17. NO. OF ACRES ASSIGNED TO THIS WELL 320	
22. APPROX. DATE WORK WILL START* ASAP		20. ROTARY OR CABLE TOOLS Rotary	

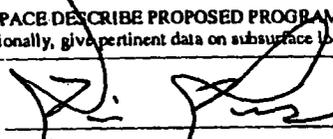
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SIGNED:  TITLE: ENGINEER DATE: 7/14/94

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

***See Instructions On Reverse Side**

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 8 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1960, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 600 Rio Brazos Rd., Aztec, NM 87410

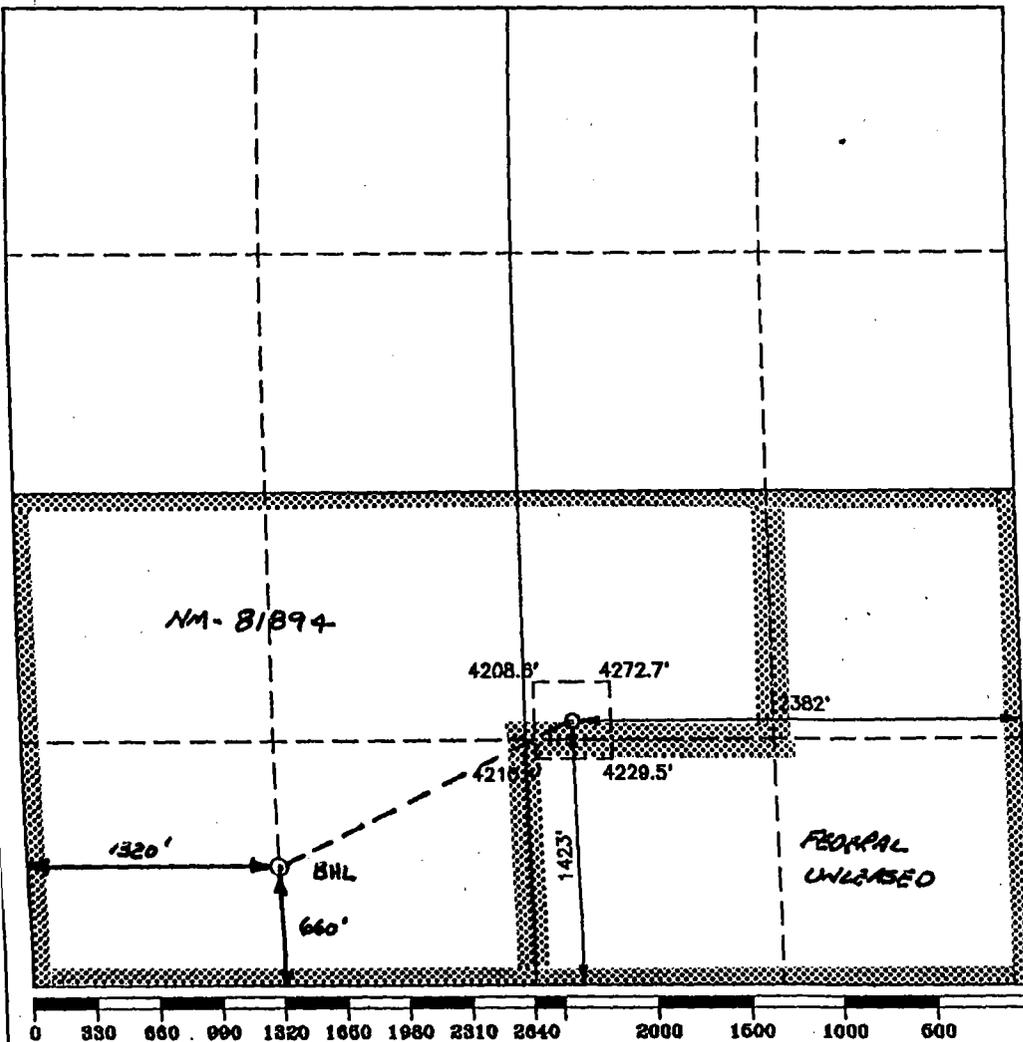
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Operator YATES ENERGY CORPORATION			Lease SIDEWINDER FEDERAL			Well No. 1		
Tract Letter J	Section 20	Township 24 SOUTH		Range 24 EAST NMPM		County EDDY		
Actual Footage Location of Well:								
1423 feet from the SOUTH line and			2382 feet from the EAST line					
Ground Level Elev. 4230'	Producing Formation DEANAGE, MALLOW		Pool SERPENTINE CONDS		Dedicated Acreage: 320 Acres			

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
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OPERATOR CERTIFICATION

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

Signature _____

Printed Name
GARY ROSS

Position
ENGINEER

Company
YATES ENERGY CORP.

Date
7/13/94

SURVEYOR CERTIFICATION

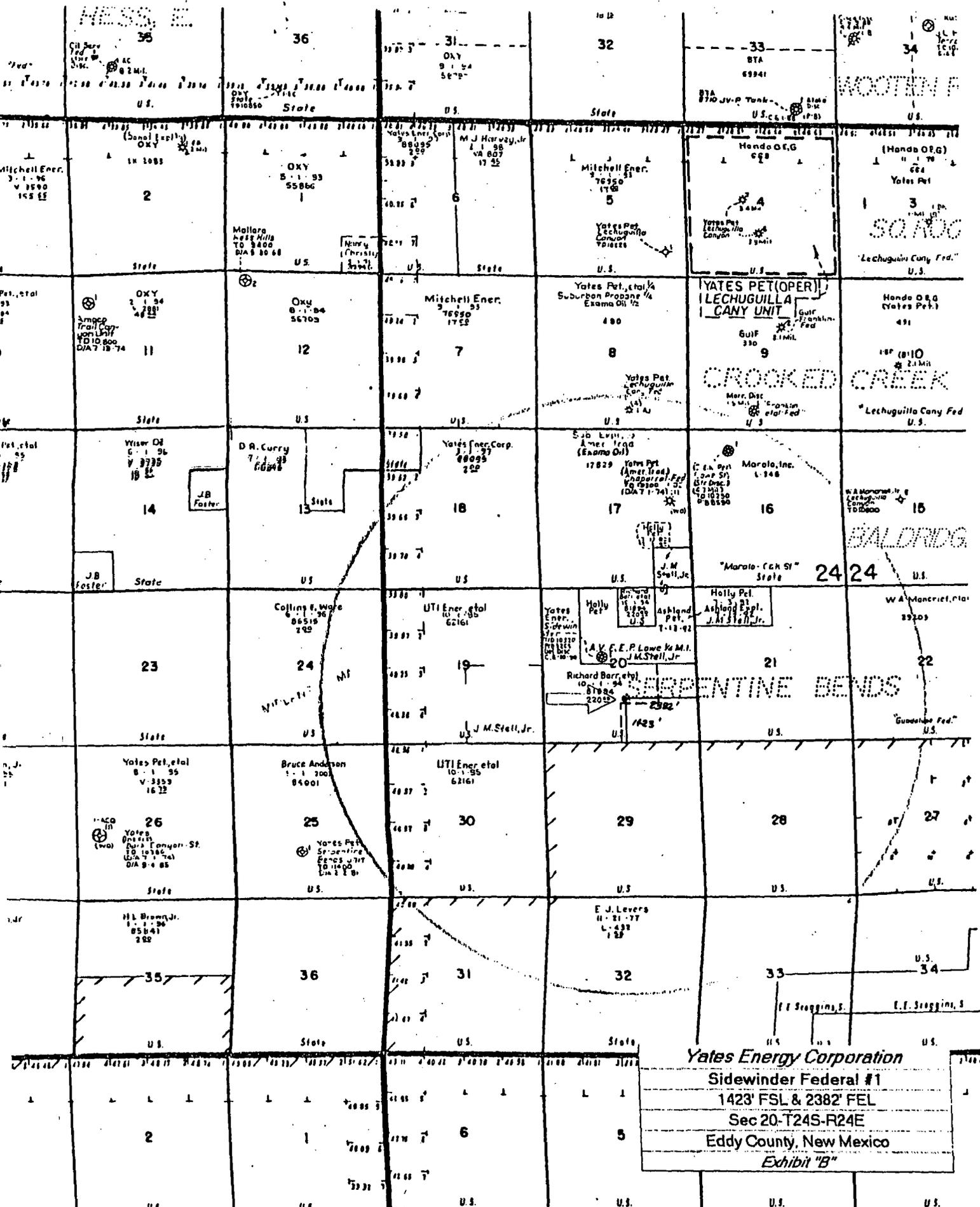
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Date Surveyed
FEBRUARY 17, 1994

Signature & Seal of Professional Surveyor

Certificate No. **JOHN W. WEST, 676**
RONALD J. EDSON, 3238
GARY L. JONES, 7977

94-11-0306



Yates Energy Corporation
 Sidewinder Federal #1
 1423' FSL & 2382' FEL
 Sec 20-T24S-R24E
 Eddy County, New Mexico
 Exhibit "B"

SBAD

CAVERNS

Merid-ant
 10-1-95
 61030