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NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



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**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

5665

**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

[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.

Ocean Munds-Dry      Ocean Munds-Dry Attorney      7-23-07  
 Print or Type Name      Signature      Title      Date  
 omundsdry@hollandhart.com  
 e-mail Address

July 23, 2007

**HAND-DELIVERED**

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

30025-38256

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Waylon State Unit Well No. 8 located 660 feet from the North line and 2310 feet from the West line of Section 14, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, Yates Petroleum Corporation ("Yates") hereby seeks administrative approval of an unorthodox well location for its Waylon State Unit Well No. 8 located 660 feet from the North line and 2310 feet from the West line of Section 14, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico. The W/2 of Section 14 will be dedicated to the well.

This location is unorthodox because it is governed by the Division's Statewide Rules and Regulations which provide for wells on 320-acre spacing to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed location is unorthodox because it is only 330 feet from the eastern boundary. A standard 320-acre spacing and proration unit comprised of the W/2 of Section 14 will be dedicated to the well.

The unorthodox location is required by geologic conditions. As shown on the attached Net Sand Isopach Map of the lower Morrow formation (attached as **Exhibit A**), a standard location would be on the edge of the channel. The proposed location would be near the center of the channel and encounter an estimated 30 plus feet of good sand. The productive lower Morrow wells are shown in purple. The adjacent wells are the Cash State Unit Well No. 4 (Section 10), the Sand Springs Well No. 3 (Section 11) and the Waylon State Unit Well No. 4 (Section 15). All these wells are located in the center of the channel and have over 30 feet of sand. Yates has had poor results drilling on the edge of a channel. In addition to thinner sands, the porosity is not usually well

developed on the channel edge. **Exhibit B** is Stratigraphic Cross-Section A-A' and shows these lower Morrow sands in yellow. With thin sands, a location several hundred feet away can be the difference between a good well and a poor well.

Attached hereto as **Exhibit C** is a plat as required by Rule 104.F (3). Section 14 is a part of the Waylon State Unit. Therefore, Yates is also the offsetting operator upon which the well encroaches. Also, working interest ownership is common in each spacing unit. Therefore, there are no affected parties as defined by Rule 1210(A)(2) and no notice is required.

The proposed location is the most efficient and reasonable way to develop these potential reserves and would be in the best interest of conservation and the prevention of waste.

Your attention to this application is appreciated.

Sincerely,



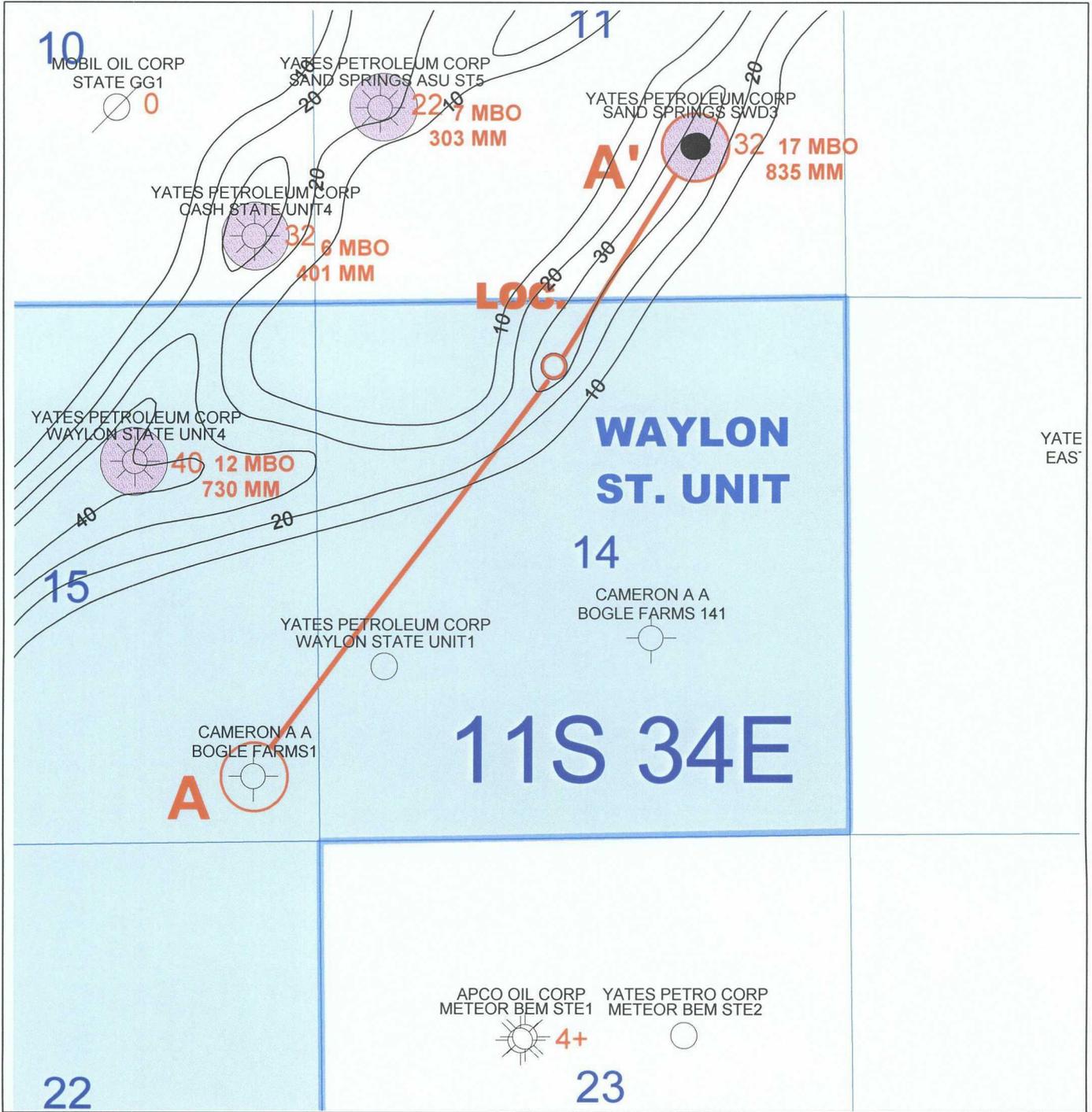
Ocean Munds-Dry  
ATTORNEY FOR YATES PETROLEUM  
CORPORATION

Enclosures

cc: Mr. Robert Bullock  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88201

OCD - Hobbs







**YATES**  
PETROLEUM  
CORPORATION

**LOWER MORROW NET SAND ISOPACH**  
All Wells Shown  
LEA COUNTY, NM

Author: JOHN AMIET	CI = 10'	Date: 18 January, 2007
ne	Scale: 1" = 1500'	Waylon St Un Loc Expd.gmp

- 13 Lower Morrow Net Feet Sand > 6% Porosity
- Lower Morrow Production
- MBO Thousand Barrels of Oil
- MM Million Cubic Feet Gas



**EXHIBIT**

A