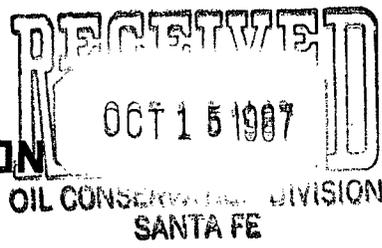


Release Date: November 3, 1987

By DEC
OK - by Roy Johnson



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. - TREAS.

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

NSL- 2438
RULE-104 F(II)

October 13, 1987

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

330 Acre Dedicated N/S Section 30

Undesignated Four Ranch Pre - Permian
Gas Pool

ATTENTION: Mr. William LeMay

RE: Unorthodox location for
Dragonfly State Unit #1
660' FNL and 990' FWL of
Section 30-T9S-R27E
Chaves County, New Mexico

Dear Sir:

Yates Petroleum Corporation respectfully requests an administrative approval for a proposed unorthodox location as provided for under NMOCD Rule 104F.

Our preferred location for this well is 660' FNL and 990' FWL. Our reason for requesting this non-standard location is geological (please note attached Exhibits 1 and 2).

Enclosed please find a copy of the lease map showing offsetting lease operators and a topographical map of the area. Offsetting lease operators have been notified of our intentions by certified mail, via a xerox copy of this letter, along with a waiver stating that they have no objections.

Formations we expect to drill through area: San Andres, Glorieta, Yeso, Abo, Wolfcamp, Pennsylvanian and Ordovician. We expect to TD in Precambrian.

If you should have any questions concerning this matter, please do not hesitate to call. Thank you.

Very truly yours,

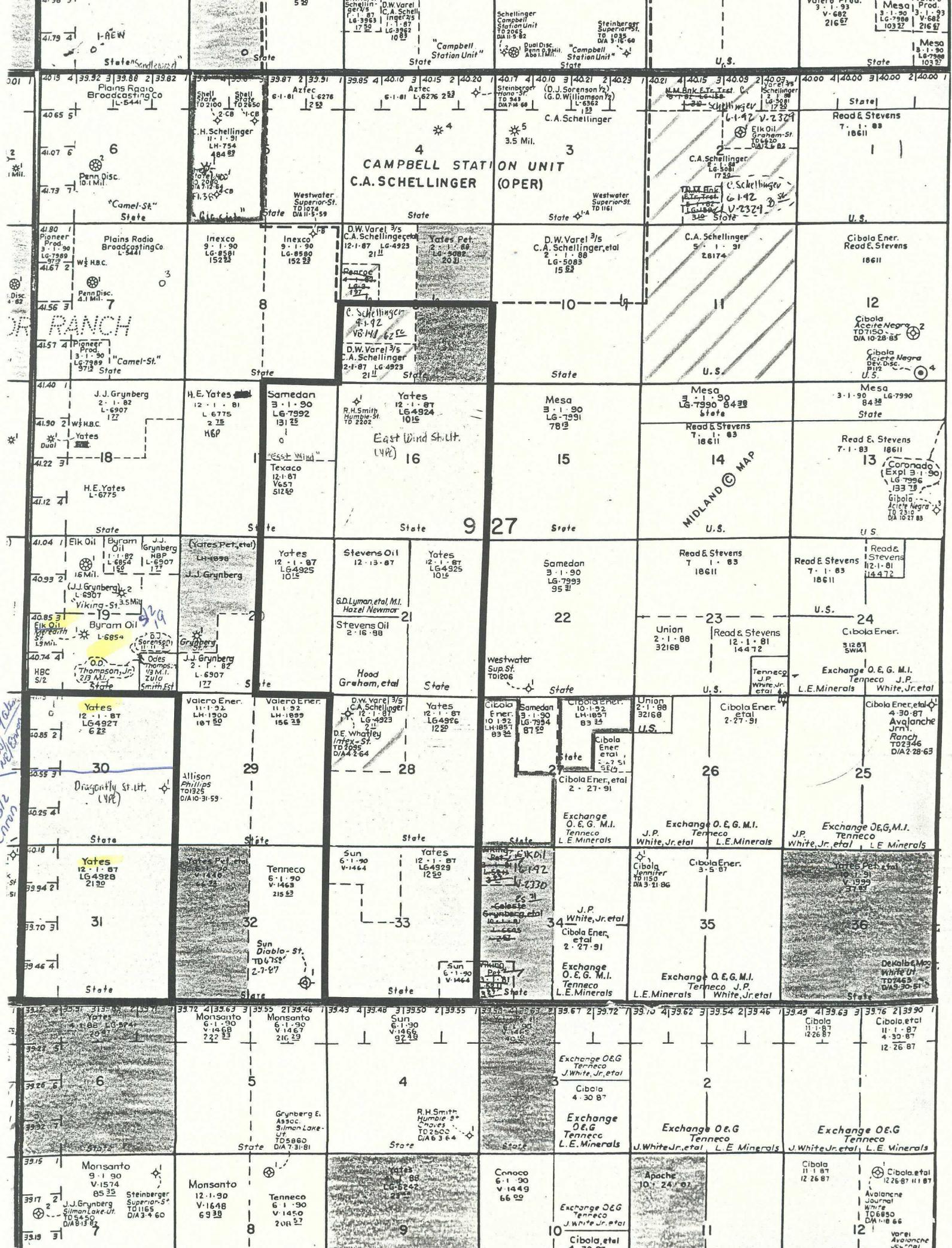
YATES PETROLEUM CORPORATION

Rusty Jernigan
Rusty Jernigan
Regulatory Secretary

rj

Enclosures

cc: Elk Oil Company
Enron Oil & Gas Company
1st Interstate of Lea County, Trustees
for the Estate of W. K. Byram



41.36 31
41.79 41
Plains Radio
Broadcasting Co
L-5441
State
"Camel-St."
State

41.36 32
41.79 42
Shell State
L-20100
C.H. Schellinger
11-1-91
LH-754
48489
State
"Camel-St."
State

41.36 33
41.79 43
D.W. Vare1 3/5
C.A. Schellinger
12-1-87
LG-4923
"Campbell
Station Unit"
State

41.36 34
41.79 44
Schellinger
Campbell
Station Unit
70205
Dual Disc
Penn. P.M.
Abs. 1. Mil.
State
"Campbell
Station Unit"
State

41.36 35
41.79 45
Steinberger
Superior St.
TD 1035
DIA 3-15-60
U.S.

41.36 36
41.79 46
Valero Prod.
3-1-93
V-682
21627
Mesa
3-1-90
L-7980
10332
Mesa
3-1-93
V-682
21627
Mesa
3-1-90
L-7980
10332
State

41.80 1
41.90 2
41.56 3
41.57 4
Pioneer Prod.
L-7989
41672
W.H.C.
Penn. Disc.
4.1 Mil.
Pioneer Prod.
L-7989
3-7-90
373
"Camel-St."
State
RANCH

41.80 2
41.90 3
41.56 4
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Inexco
9-1-90
LG-8580
15223
Inexco
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LG-8580
15223
D.W. Vare1 3/5
C.A. Schellinger
12-1-87
LG-4923
2111
C. Schellinger
4-1-92
V-141
6250
D.W. Vare1 3/5
C.A. Schellinger
2-1-87
LG-4923
2111
State

41.80 3
41.90 4
41.56 5
41.57 6
D.W. Vare1 3/5
C.A. Schellinger
12-1-87
LG-4923
2111
Yates Pet.
2-1-88
L-5088
2031
D.W. Vare1 3/5
C.A. Schellinger, etal
2-1-88
L-5083
1552
State

41.80 4
41.90 5
41.56 6
41.57 7
C.A. Schellinger
5-1-91
28174
C.A. Schellinger
L-5081
1720
Elk Oil
Graham St.
T0542
DIA 1-82
U.S.

41.80 5
41.90 6
41.56 7
41.57 8
Cibola Ener.
Read E. Stevens
18611
Cibola
Aciete Negra
Dev. Disc.
P12
DIA 10-28-85
Cibola
Aciete Negra
Dev. Disc.
P12
DIA 10-28-85
U.S.

41.80 6
41.90 7
41.56 8
41.57 9
Mesa
3-1-90
L-7990
8438
Read E. Stevens
7-1-83
18611
Mesa
3-1-90
L-7990
8438
State

41.40 1
41.90 2
41.22 3
41.12 4
J.J. Grynberg
2-1-82
L-6907
122
W.H.C.
Yates
H.E. Yates
L-6775
State

41.40 2
41.90 3
41.22 4
41.12 5
H.E. Yates
12-1-81
L-6775
122
H6P
Samedan
3-1-90
L-67992
13125
Yates
12-1-87
L-64924
1015
East Wind St. Unit.
(VPE)
16
State

41.40 3
41.90 4
41.22 5
41.12 6
R.H. Smith
Humble St.
T0202
Yates
12-1-87
L-64924
1015
East Wind St. Unit.
(VPE)
16
State

41.40 4
41.90 5
41.22 6
41.12 7
Mesa
3-1-90
L-7991
7813
Read E. Stevens
7-1-83
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L-7991
7813
State

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L-7990
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Read E. Stevens
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18611
Mesa
3-1-90
L-7990
8438
State

41.40 6
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Read E. Stevens
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Read E. Stevens
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Expl. 3-1-90
L-6996
13379
Cibola
Aciete Negra
T02310
DIA 10-27-85
U.S.

41.04 1
40.93 2
40.85 3
40.74 4
Elk Oil
L-6807
165
Byram Oil
L-6854
19
Byram Oil
L-6854
19
HBC
S/2
State

41.04 2
40.93 3
40.85 4
40.74 5
J.J. Grynberg
11-1-87
L-6507
127
J.J. Grynberg
LH-1898
J.J. Grynberg
L-6907
127
J.J. Grynberg
2-1-82
L-6907
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Odes
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12 M.L.
Zulo
Smith Est
State

41.04 3
40.93 4
40.85 5
40.74 6
Yates
12-1-87
L-64925
1015
Stevens Oil
12-13-87
G.D. Lyman, etal, M.L.
Hazel Newmar
Stevens Oil
2-16-88
Hood
Graham, etal
State

41.04 4
40.93 5
40.85 6
40.74 7
Samedan
3-1-90
L-67993
9521
Westwater
Sup. St.
T01206
Cibola Ener.
etal
2-27-91
Union
2-1-88
32168
Read E. Stevens
12-1-81
14472
U.S.

41.04 5
40.93 6
40.85 7
40.74 8
Read E. Stevens
7-1-83
18611
Read E. Stevens
7-1-83
18611
U.S.

41.04 6
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40.85 8
40.74 9
Read E. Stevens
7-1-83
18611
Read E. Stevens
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18611
Cibola Ener.
31287
SWA1
Exchange O.E.G. M.I.
Tenneco J.P.
White, Jr. etal
L.E. Minerals
White, Jr. etal
U.S.

40.85 1
40.35 2
40.25 3
40.18 4
Yates
12-1-87
L-64927
625
Dragonfly St. Unit.
(VPE)
State

40.85 2
40.35 3
40.25 4
40.18 5
Valero Ener.
11-1-92
LH-1899
15623
Allison
Phillips
T01325
DIA 10-31-59
State

40.85 3
40.35 4
40.25 5
40.18 6
D.W. Vare1 3/5
C.A. Schellinger
12-1-87
LG-4923
2111
D.E. Whitley
Imperial St.
T0205
DIA 4-2-64
Yates
12-1-87
L-64928
1252
State

40.85 4
40.35 5
40.25 6
40.18 7
Cibola Ener.
etal
2-27-91
Union
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32168
U.S.

40.85 5
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40.18 8
Cibola Ener.
etal
2-27-91
Exchange O.E.G. M.I.
Tenneco
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Exchange O.E.G. M.I.
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White, Jr. etal
L.E. Minerals
U.S.

40.85 6
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Cibola Ener. etal
4-30-87
Avallanche
Ranch
T02346
DIA 2-28-63
Cibola Ener. etal
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U.S.

39.94 1
39.70 2
39.46 3
39.21 4
Yates
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State

39.94 2
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Tenneco
6-1-90
V-1463
21523
Sun
Diablo-St.
T04754
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State

39.94 3
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39.21 6
Sun
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Yates
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State

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Cibola Ener. etal
2-27-91
Exchange O.E.G. M.I.
Tenneco
L.E. Minerals
J.P.
White, Jr. etal
Cibola Ener.
Tenneco
White, Jr. etal
L.E. Minerals
U.S.

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Cibola Ener.
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Exchange O.E.G. M.I.
Tenneco
White, Jr. etal
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White, Jr. etal
L.E. Minerals
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Exchange O.E.G. M.I.
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White, Jr. etal
L.E. Minerals
Exchange O.E.G. M.I.
Tenneco
White, Jr. etal
L.E. Minerals
U.S.

39.12 1
39.21 2
39.26 3
39.32 4
39.15 5
39.17 6
39.19 7
Yates
6-1-90
V-1574
2087
Monsanto
6-1-90
V-1467
22233
State

39.12 2
39.21 3
39.26 4
39.32 5
39.15 6
39.17 7
39.19 8
Monsanto
6-1-90
V-1467
22233
State

39.12 3
39.21 4
39.26 5
39.32 6
39.15 7
39.17 8
39.19 9
Sun
6-1-90
V-1466
Yates
12-1-88
L-6542
21255
R.H. Smith
Humble St.
T0202
DIA 6-3-64
State

39.12 4
39.21 5
39.26 6
39.32 7
39.15 8
39.17 9
39.19 10
Exchange O.E.G.
Tenneco
J. White, Jr. etal
Cibola
4-30-87
Exchange
O.E.G.
Tenneco
L.E. Minerals
J. White, Jr. etal
U.S.

39.12 5
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Exchange O.E.G.
Tenneco
J. White, Jr. etal
Cibola
4-30-87
Exchange
O.E.G.
Tenneco
L.E. Minerals
J. White, Jr. etal
U.S.

39.12 6
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Exchange O.E.G.
Tenneco
White, Jr. etal
L.E. Minerals
Exchange O.E.G.
Tenneco
White, Jr. etal
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U.S.

39.12 7
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J.J. Grynberg
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T01165
DIA 3-1-60
Steinberger
Superior St.
T01165
DIA 3-1-60
Monsanto
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V-1460
20827
State

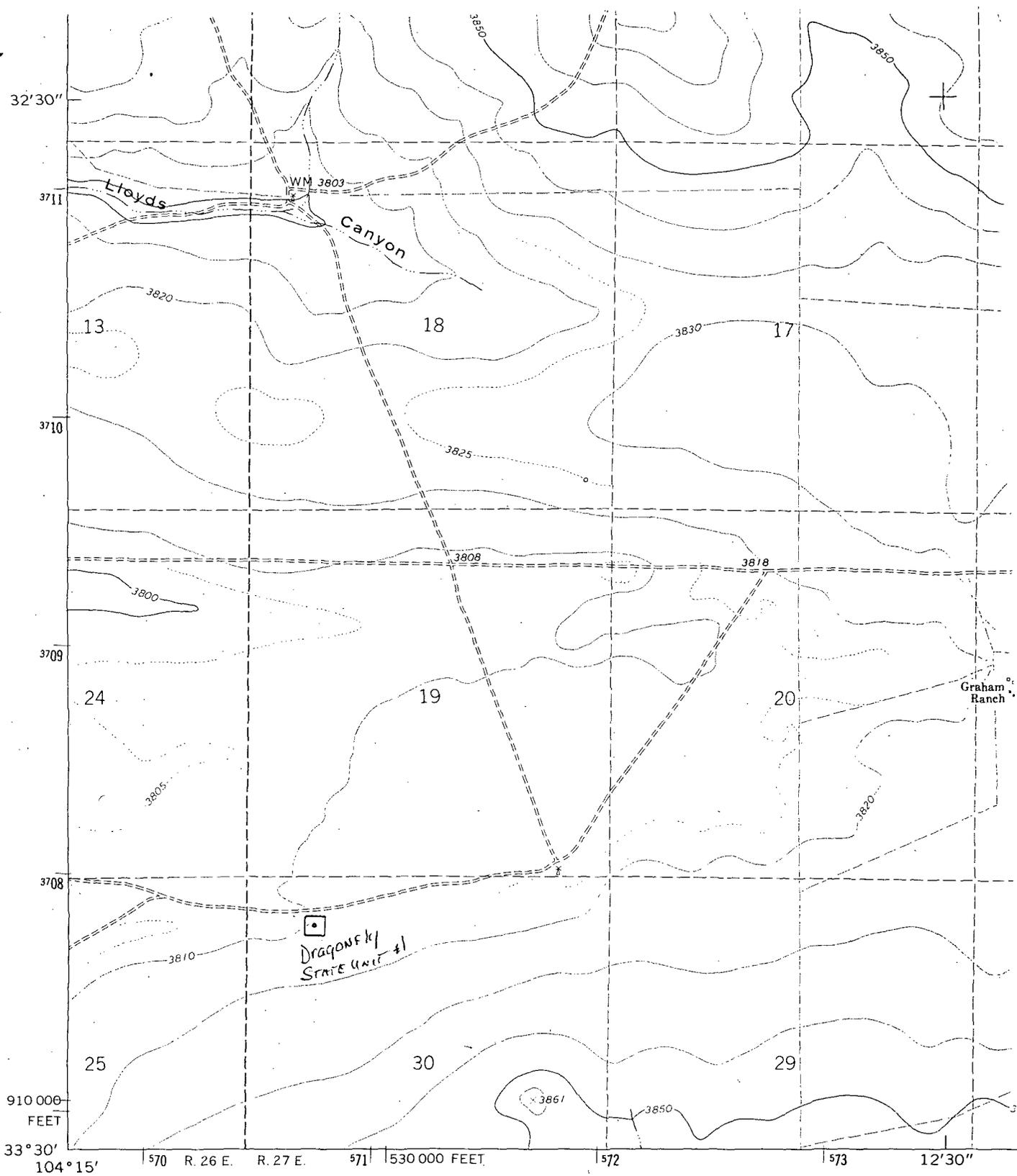
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39.17 13
39.19 14
Monsanto
9-1-90
V-1574
8535
J.J. Grynberg
L-6907
T01165
DIA 3-1-60
Steinberger
Superior St.
T01165
DIA 3-1-60
Monsanto
12-1-90
V-1648
6938
Tenneco
6-1-90
V-1460
20827
State

39.12 9
39.21 10
39.26 11
39.32 12
39.15 13
39.17 14
39.19 15
Conoco
6-1-90
V-1449
6600
Exchange O.E.G.
Tenneco
J. White, Jr. etal
Cibola, etal
4-30-87
U.S.

39.12 10
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39.26 12
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39.15 14
39.17 15
39.19 16
Exchange O.E.G.
Tenneco
J. White, Jr. etal
Cibola, etal
4-30-87
U.S.

39.12 11
39.21 12
39.26 13
39.32 14
39.15 15
39.17 16
39.19 17
Apache
10-1-24-87
Exchange O.E.G.
Tenneco
White, Jr. etal
L.E. Minerals
U.S.

39.12 12
39.21 13
39.26 14
39.32 15
39.15 16
39.17 17
39.19 18
Cibola etal
11-1-87
122687
Avallanche
Ranch
White
T06850
DIA 1-86
Vare1
Avallanche
Ranch
T02326
U.S.



(COMANCHE SPRING)
5150 IV NE

Mapped, edited, and published by the Geological Survey

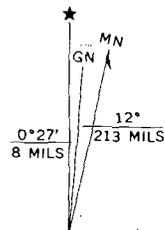
Control by USGS and USC&GS

Topography by photogrammetric methods from aerial photographs taken 1966. Field checked 1967

Polyconic projection. 1927 North American datum
10,000-foot grid based on New Mexico coordinate system, east zone

1000-meter Universal Transverse Mercator grid ticks, zone 13, shown in blue

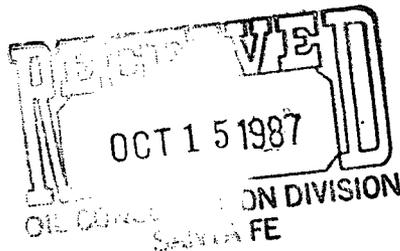
Fine red dashed lines indicate selected fence lines



UTM GRID AND 1967 MAGNETIC NORTH DECLINATION AT CENTER OF SHEET



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



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. - TREAS.

October 13, 1987

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

ATTENTION: Mr. William LeMay

RE: Unorthodox location for
Dragonfly State Unit #1
660' FNL and 990' FWL of
Section 30-T9S-R27E
Chaves County, New Mexico

Dear Sir:

Enclosed you will find a copy of the certification showing that I have notified the offset operators of our intentions on the captioned unorthodox location with a xerox copy of the attached letter.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Rusty Jernigan
Regulatory Secretary

ry

Enclosures

P-580 493 671

REQUIREMENT FOR CERTIFIED MAIL

INSURANCE COVERAGE PROVIDED
FOR INTERNATIONAL MAIL
(See Reverse)

Sent to	Elk Oil Company
Street and No.	P. O. Box 310
P.O., State and ZIP Code	Roswell, NM 88201
Recipient	Mr. Joseph J. Kelly
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing When and Date Delivered	
Return Receipt showing to whom, City, State, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	October 14, 1987 Unortho letter - Dragonfly

P-580 493 669

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

1st Interstate of Lea County
sent to Trustees for the Estate of

Wendell Byram

P. O. Box 147

P.O. State and ZIP Code

Hobbs, NM 88240

Postage \$

Certified Fee

Special Delivery Fee

Restricted Delivery Fee

Return Receipt showing
to whom and Date Delivered

Return Receipt showing to whom,
Date and Address of Delivery

TOTAL Postage and Fees \$

Postmark or Date

October 1, 1987

Unortho letter for Dragonfly
State Unit #1

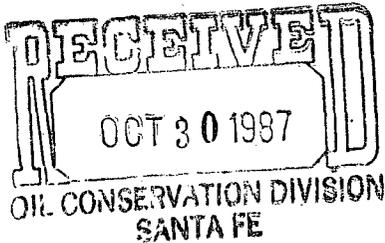
PS Form 3825

PS Form 3825



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. - TREAS.

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



October 13, 1987

RE: Unorthodox location for
Dragonfly State Unit #1
660' FNL & 990' FWL of
Section 30-T9S-R27E
Chaves County, New Mexico

Please sign and return one (1) copy to Yates Petroleum Corporation, 105 South Fourth Street, Artesia, NM 88210, to the attention of Rusty Jernigan, and one (1) copy to the New Mexico Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501, to the attention of Mr. William LeMay, if you have no objections to the proposed unorthodox location listed above.

W A I V E R

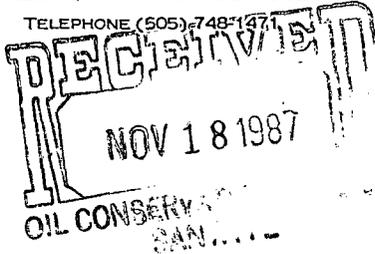
As an offset operator, Enron Oil & Gas Company, has no objections to the proposed unorthodox location for the captioned well.

B. H. Morrison
Signature
B. H. MORRISON, Agent and Attorney-in-Fact
Title
10-27-87
Date



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471



NS - 2438

S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. - TREAS.

October 13, 1987

RE: Unorthodox location for
Dragonfly State Unit #1
660' FNL & 990' FWL of
Section 30-T9S-R27E
Chaves County, New Mexico

Please sign and return one (1) copy to Yates Petroleum Corporation, 105 South Fourth Street, Artesia, NM 88210, to the attention of Rusty Jernigan, and one (1) copy to the New Mexico Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501, to the attention of Mr. William LeMay, if you have no objections to the proposed unorthodox location listed above.

W A I V E R

As an offset operator, BYROM OIL COMPANY, has no objections to Yates Petroleum Corporation proposing an unorthodox location no closer than 660' FNL of Section 30, Township 9 South, Range 27 East, Chaves County, New Mexico, provided the spacing unit is a lay down 320, being a N/2 dedication.

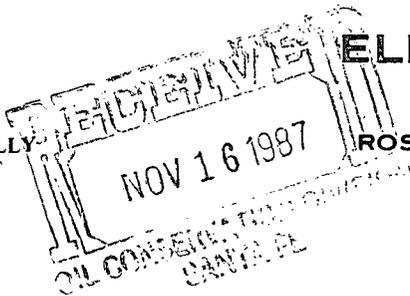
BYROM OIL COMPANY

BY: *[Signature]*
Signature

Manager
Title

November 16, 1987

JOSEPH J. KELLY
PRESIDENT



ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88201

(505) 623-3190

November 12, 1987

*New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501*

Attn: Mr. William LeMay

Gentlemen:

As per instructions of Yates Petroleum on October 13, 1987, enclosed please find copy of Waiver of Unorthodox location for Yates Dragonfly State Unit #1 located in Section 30, T-9S, R-27E, Chaves County, New Mexico.

If there are any questions, please advise.

Yours very truly,

ELK OIL COMPANY

Joseph J. Kelly
President

JJK/rm
Encl.



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

S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. - TREAS.

October 13, 1987

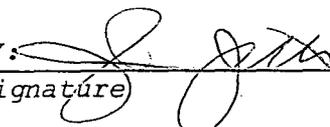
RE: Unorthodox location for
Dragonfly State Unit #1
660' FNL & 990' FWL of
Section 30-T9S-R27E
Chaves County, New Mexico

Please sign and return one (1) copy to Yates Petroleum Corporation, 105 South Fourth Street, Artesia, NM 88210, to the attention of Rusty Jernigan, and one (1) copy to the New Mexico Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501, to the attention of Mr. William LeMay, if you have no objections to the proposed unorthodox location listed above.

W A I V E R

As an offset operator, Elk Oil Company, has no objections to Yates Petroleum Corporation proposing an unorthodox location no closer than 660' FNL of Section 30, Township 9 South, Range 27 East, Chaves County, New Mexico, provided the spacing unit is a lay down 320, being a N/2 dedication.

ELK OIL COMPANY

BY: 
Signature

President

Title

November 12, 1987

Date

GEOLOGICAL CONDITIONS
FOR
UNORTHODOX LOCATION
OF THE
YATES PETROLEUM CORPORATION - DRAGONFLY STATE UNIT #1
660' FNL & 990' FWL, SECTION 30-T9S-R27E
CHAVES COUNTY, NEW MEXICO

Yates Petroleum Corporation respectfully requests administrative approval for the unorthodox location of its proposed Dragonfly State Unit #1 to be drilled 660 feet from the North line and 990 feet from the West line of Section 30, Township 9 South, Range 27 East, Chaves County, New Mexico. The north half of section 30 would be dedicated to the well.

The necessity for this unorthodox location is based upon geological conditions.

Exhibit #1 is a land plat showing the proposed location and its relationship to the surrounding acreage in which Yates has full or partial operating rights. The proration unit is outlined in red.

Exhibit #2 is a map depicting the subsurface structure on top of the Pre-Penn Unconformity. The contour interval is 50'. Datum points are noted by circles and the appropriate datum is listed. Well spots colored in red indicate Ordovician producers. The red outline and the green outline marks the termination of the Mississippian formation and the Ordovician respectfully.

The structure map shows a horst block which is completely fault bounded. Throw on the bounding faults varies from nearly four hundred feet to a slight displacement of less than 50'. Erosion on the uplifted area has resulted in areas where Mississippian and Ordovician sediments have been completely stripped away leaving Pennsylvanian sediments lying unconformably on the Precambrian. The Pre-Pennsylvanian section on the remainder of the horst block consists of Ordovician on Precambrian. A normal sequence of Pennsylvanian resting unconformably on Mississippian occurs on the down thrown side of the bounding faults.

Gas production from the uplifted fault block results from porosity development along the unconformity surface (karst topography) of the Ordovician which is truncated against the Precambrian. The bounding faults are also a trapping mechanism that place the tite Mississippian limestone in juxtaposition with the porous Ordovician dolomite. Therefore a definite relationship exists between production and the structural position. The better Ordovician producers occur above a -2200 subsea datum on top of the Ordovician. Pertinent cumulative production from the Ordovician has been noted to substantiate this relationship. The proposed location was chosen in an attempt to duplicate the Ordovician section as encountered by the Meredith State #1, the highest well, with the best cumulative production.

Exhibit #3, crossection A-A' shows the pertinent well tops and intervals picked by correlation. The mapped subcrop patterns and fault locations are further documented.

Note that the gas/water contact exists in a location where Ordovician porosity on the up thrown side of the fault is lateral to Ordovician porosity on the down thrown side of the fault. It seems that to form an effective seal, the up thrown Ordovician section must be in juxtaposition with the Mississippian.

In summary, the proposed unorthodox location is the best allowable location in the north half of Section 30 wich would enable the borehole to encounter the structure at its highest point possible. It is anticipated that structurally high penetration of the Ordovician formation would enhance earlier and greater recovery of gas reserves. The well will be drilled through to the Precambrian to ensure that the complete section is tested. It is believed that approval of this location would prevent waste and protect correlative rights.

The above discussion of geological conditions and Exhibits #1, #2, and #3 were prepared by Leslie Bentz. Leslie Bentz is employed by Yates Petroleum Corporation as a geologist in Artesia, NM. She has testified before and been approved as an expert witness by the Oil Conservation Division of the State of New Mexico.



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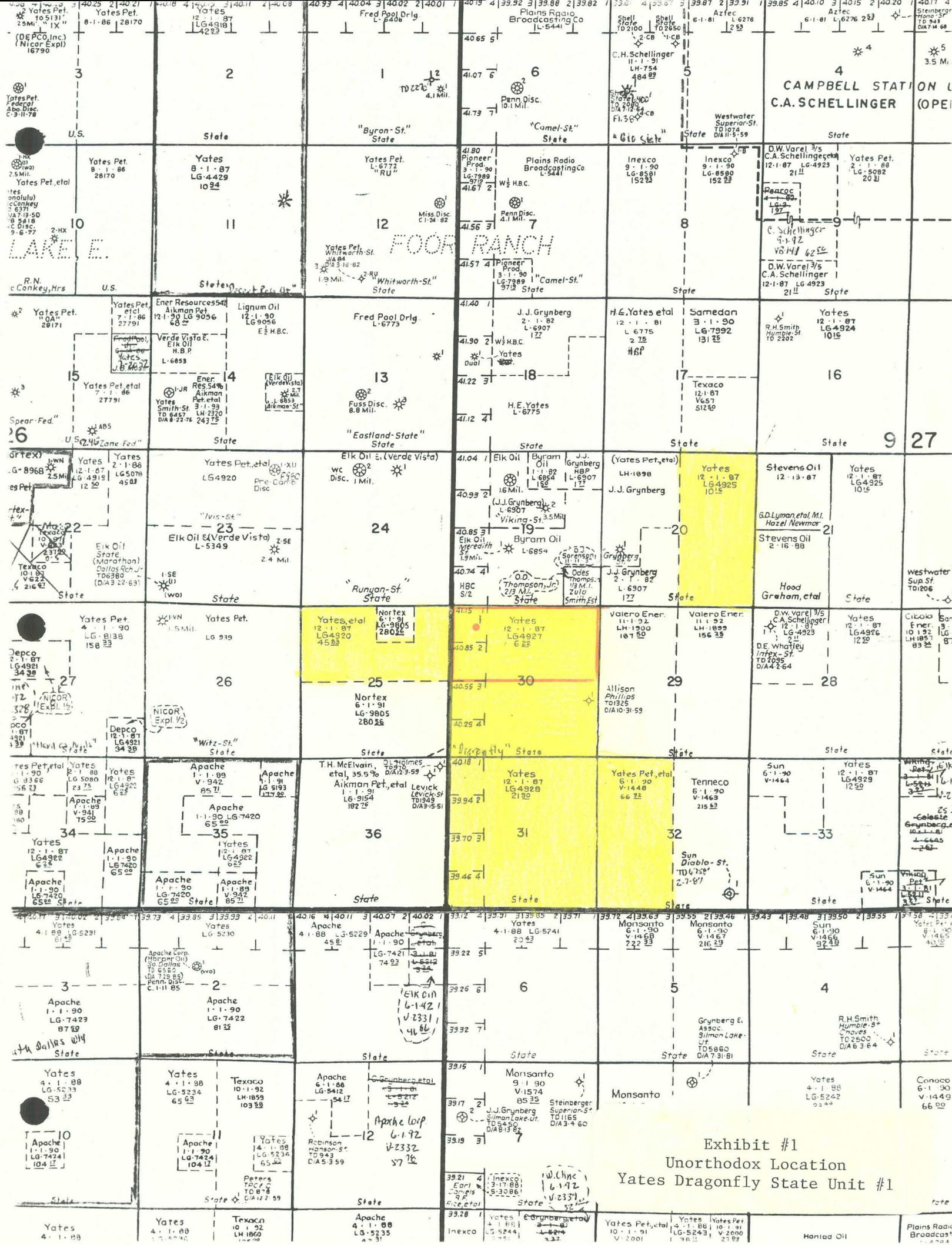


Exhibit #1
Unorthodox Location
Yates Dragonfly State Unit #1