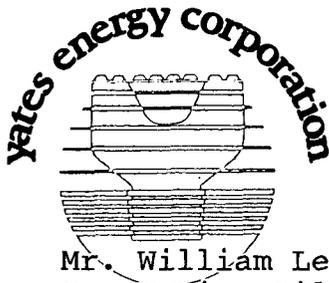


OIL CONSERVATION DIVISION
RECEIVED

'94 APR 20 AM 8 50



April 18, 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
Eddy County, New Mexico

Dear Mr. Lemay

Yates Energy Corporation is the operator of S/2, Sec 12, T-22-S, R-25-E and proposes to drill the McGruder Hill 12 Federal Com #1 to the Morrow formation at a location 330' from the west line and 1680' from the south line of said Section 12.

The original location was to be staked 660' from the west line but was moved by Bureau of Land Management personnel due to a steeply sloping hill.

Therefore, Yates Energy respectfully requests that the Division Director grant an exception to Rule 104 B.I.(a) without hearing based on topographical conditions as allowed under the Rules and Regulations of the State of New Mexico Oil Conservation Division.

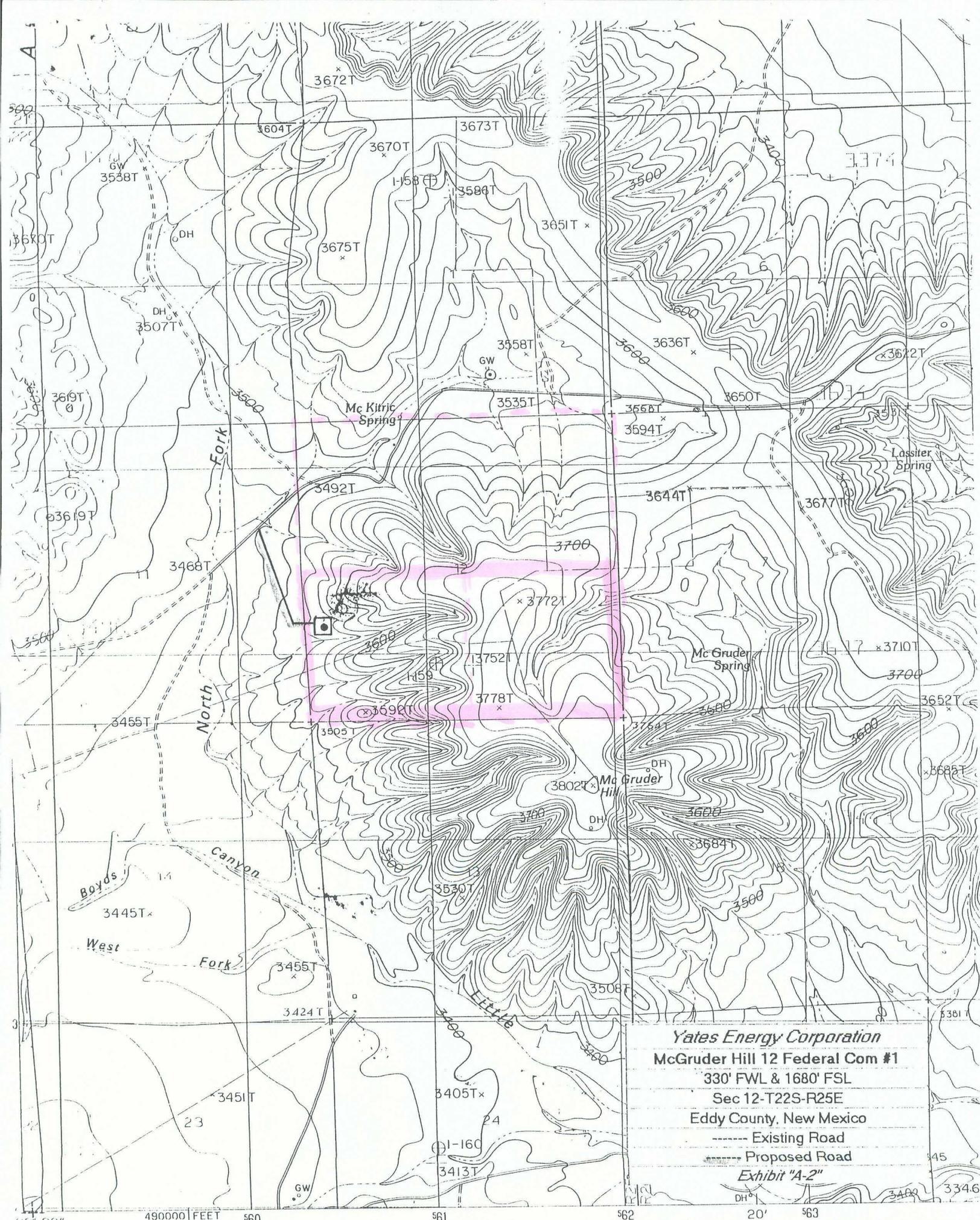
Attached please find a plat showing the ownership of all offsetting leases. All offset Operators have been notified and requests for waivers sent. All waiver letters will be forwarded to you upon receipt. Also attached is a plat showing the existing topographical conditions.

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

Very truly yours,
YATES ENERGY CORPORATION

Kirk Ross
Engineer

Enclosure



Yates Energy Corporation
McGruder Hill 12 Federal Com #1
 330' FWL & 1680' FSL
 Sec 12-T22S-R25E
 Eddy County, New Mexico
 ----- Existing Road
 - - - - - Proposed Road
Exhibit "A-2"



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

June 3, 1994

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

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

Attention: Kirk Ross

*RE: Administrative Application for an
Unorthodox Gas Well Location.
McGruder Hill "12" Federal Com Well No. 1;
1680'FSL-330'FWL (Unit L) of Section 12, Township 22 South, Range
25 East, NMPM, Undesignated Revelation Morrow Gas Pool, Eddy
County, New Mexico.*

Dear Mr. Ross:

The subject application dated April 18, 1994 cannot be approved at this time due to insufficient data.

Please provide *all applicable* information and supporting data pursuant to Division Memorandum 1-90 (see copy attached).

Further, the original location for the subject well being 660 feet from the West line of said Section 12 was unorthodox to begin with. Please explain why this particular location was initially chosen over a more favored location that is considered to be standard.

Should you have any questions or comments concerning these rules, requirements and/or procedures after you have reviewed them, please contact me at (505) 827-5811.

Sincerely,


Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad

OIL CONSERVATION DIVISION
RECEIVED
1994 JUN 24 AM 8 50
OIL CO-
1994 JC



June 20, 1994

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

Re: Application for Administrative Approval
Unorthodox Gas Well Location
McGruder Hill "12" Federal Com #1
Sec 12, T-22-S, R-25-E
Eddy County, New Mexico

Dear Mr. Stogner:

As per your letter, dated June 3, 1994 and per our phone conversation of today, attached is additional information concerning our application for an administrative approval of the unorthodox location for the subject well.

For your information, this well was originally to be drilled in 1990. The well was proposed to be drilled as a standup 320 acre unit covering the W/2 of Section 12. The location at 1980' FSL and 660' FWL was a standard location. Santa Fe Energy Partners, L.P., our partner and acting for the operator, had applied for a hearing for compulsory pooling under case #9939, to be heard May 30, 1990. This case was withdrawn after a meeting with the BLM which had concerns about severing the NW/4 of Section 12 from the existing Hackberry Hills Unit, and that a laydown 320 covering the S/2 of the section would be more appropriate under the circumstances. In the meantime, the surface had been surveyed and the location was determined to be unacceptable due to topographic reasons and the location was moved to the present location of 330' FWL and 1680' FSL. I have enclosed copies of correspondence between the BLM and YEC concerning this matter.

In my application letter of April 18, 1994, I had forgotten the standup/laydown changes and thought that I could get administrative approval based on the topographic reasons only. Geologically, we would prefer to drill the well in the SW/4 of the section. The topography of the section does not allow us to drill a standard location in this 1/4 section. I have included an enlarged topographic map showing the proposed location and the orthodox drilling windows. A standard location from the SE/4 would have to be drilled directionally. Due the additional costs involved,

the economics do not favor this alternative. I have enclosed net pay maps showing the geology of the 3 prospective pay zones. The main pay is the Upper Penn Canyon C-3, which is the zone that the Hackberry Hills Unit #1 in Section 1 produces. The other pay zone is the Upper Penn Canyon C-2. Both of these prospective pay zones favor a location in the SW/4. Another prospective pay zone is the Morrow C & D sands which could be developed at any standard location in the S/2. To target all three pay zones, YEC requests the approval of the unorthodox location.

Also enclosed are waiver letters from all offset operators, indicating their acceptance of the unorthodox location. A map showing the offset ownership is also included.

We respectfully request that this application be reviewed and that an administrative approval be considered. If approval by those means are not granted, we are prepared to go to hearing. It is our understanding that you have placed this matter on the Docket for a July 21, 1994 hearing date if necessary.

Very truly yours,
YATES ENERGY CORPORATION



Kirk Ross
Engineer

Enclosure

OPERATOR'S COPY

Form 3160-3
(December 1990)

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 **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
330' FWL & 1680' FSL
At proposed prod. zone
SAME

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
7 Miles West of Carlsbad

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)
330'

16. NO. OF ACRES IN LEASE
86.57

17. NO. OF ACRES ASSIGNED TO THIS WELL
332.74

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

19. PROPOSED DEPTH
11,200

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3538.2' GR

22. APPROX. DATE WORK WILL START*
May 15, 1994

5. LEASE DESIGNATION AND SERIAL NO.
NM-63329 89805 *mlt*

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
MCCRUDER HILL 12 FED. COM

9. API WELL NO.
A

10. FIELD AND POOL, OR WILDCAT
WILDCAT

11. SEC., T., E., M., OR BLK. AND SURVEY OR AREA
Sec 12-T22S-R25E

12. COUNTY OR PARISH
EDDY

13. STATE
NM

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 3/8"	54.5#	400'	450 sx circulate
12 1/4"	8 5/8"	32 #	2300'	1050 sx circulate
7 7/8"	5 1/2"	17 #	TD	600 sx (see stips)

Yates Energy Corporation proposes to drill and test the Morrow and intermediate formations. Approximately 400' of surface casing and 2300' of intermediate casing will be set and cemented to surface. If warranted, will run 5 1/2" casing and cement with a minimum of 600' of cover, perforate and stimulate as needed for production.

MUD PROGRAM See Attachment
BOP PROGRAM See Attachment

An APD was submitted and approved by the BLM 8-22-90 under the well name Pussyfoot Federal Com #1

RECEIVED
 MAR 11 11:23 PM '94
 CARLSBAD DISTRICT OFFICE
 BUREAU OF LAND MANAGEMENT

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 [Signature] TITLE Engineer DATE 3-10-94

(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 Scott Power TITLE Acting AREA MANAGER DATE 4/13/94

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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 1-1-89

OIL CONSERVATION DIVISION

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

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

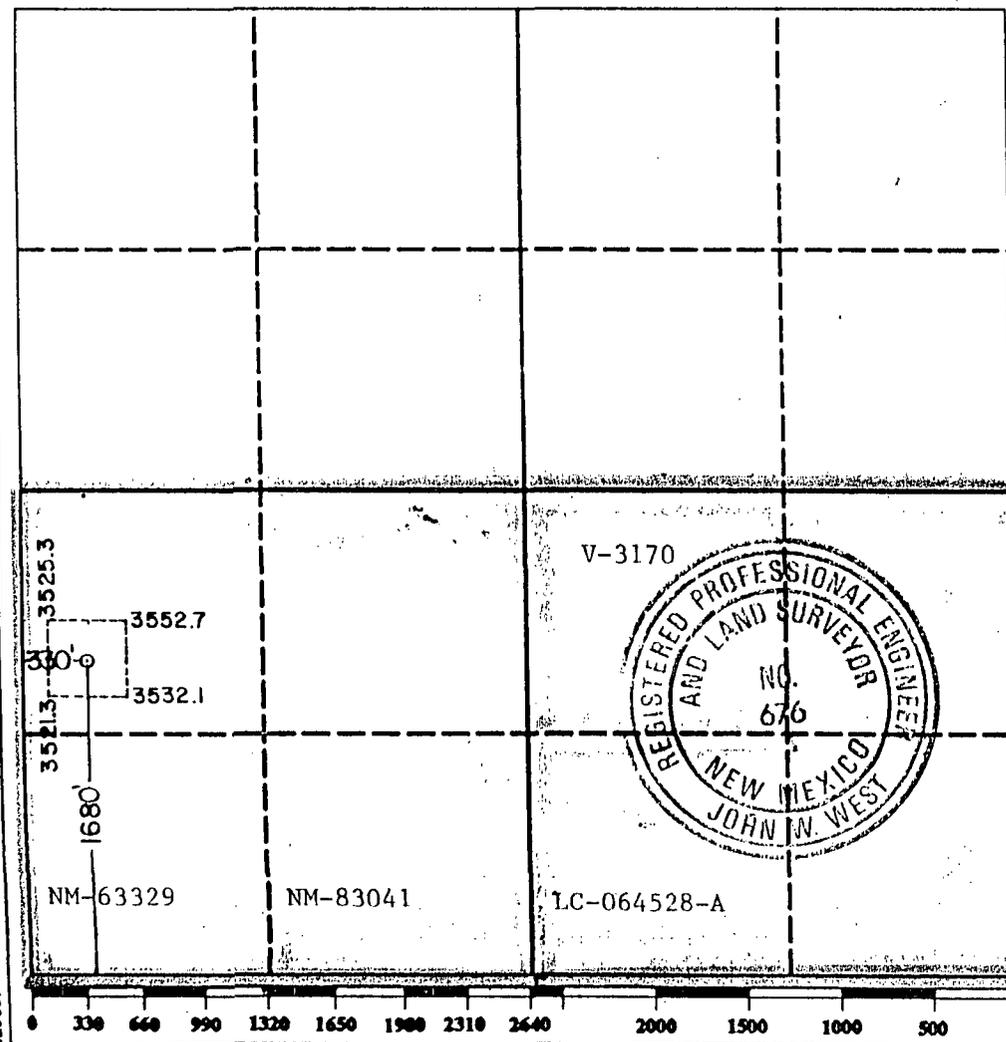
Operator YATES ENERGY CORP.			Lease McGruder Hill 12 Fed. Comm		Well No. 1
Unit Letter L	Section 12	Township 22 South	Range 25 East	County Eddy	
Actual Footage Location of Well: 1680 feet from the South line and 330 feet from the West line					
Ground level Elev. 3538.2	Producing Formation Morrow	Pool Und. Wildcat (Morrow)		Dedicated Acreage: 332.74 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 to be communitized if productive.

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of 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 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: *Sharon R. Hamilton*
Printed Name: Sharon R. Hamilton
Position: Landman
Company: Yates Energy Corporation
Date: 7/13/90

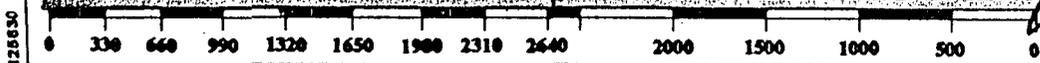
SURVEYOR CERTIFICATION

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: June 14, 1990

Signature & Seal of Professional Surveyor: *John W. West*

Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239





June 11, 1990

Berry Hunt
Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Re: Notice of Staking
Pussyfoot "12" Federal Com #1
Section 12-22S-25E
Eddy County, NM

Dear Berry,

Enclosed please find the Notice of Staking for the captioned well (formerly Kitipaw Federal Com #1) said location to be 330' FWL & 1680' FSL, the alternate location suggested after your field inspection of May 31, 1990.

A meeting was held this date with Armondo Lopez of the Roswell BLM, he indicated that this location would be accepted for a laydown communitized proration unit.

Pursuant to your request, your office will be notified when said location has been surveyed, to schedule another field inspection.

As previously requested, please provide us with a letter stating that the original location of 1980' FSL and 660' FWL was unacceptable due to the topographic reasons. Evidently, at a recent OCD hearing they indicated that they preferred written confirmation as opposed to verbal notice.

Your assistance is appreciated.

Yours very truly,

YATES ENERGY CORPORATION

A handwritten signature in cursive script, appearing to read "Sharon".

Sharon R. Hamilton
Landman

cc: Dub Gray
Blanco Engineering
P. O. Box 348
Artesia, NM 88210

SRH/jj

P.O. Box 2323, Sunwest Centre, Suite 1010, Roswell, New Mexico 88202 (505) 623-4935

RECEIVED JUN 28 1990



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
CARLSBAD RESOURCE AREA HEADQUARTERS
P.O. BOX 1778
CARLSBAD, NEW MEXICO 88220



JUN 27 1990

GR# 6655
3160 (067)

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

RE: Relocation of the Pussyfoot 12
Fed. Com. #1 to an unorthodox
location

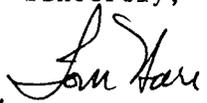
Gentlemen:

On June 6, 1990, Barry Hunt from our office and Dub Gray, representing Yates Energy, completed a field exam on the Pussyfoot 12 Fed. Com. #1 at 1980 feet from the south line and 660 feet from the west line in section 12, T. 22 S., R. 25 E.

Due to the amount of cut and fill requiring blasting of limestone hills, the location was relocated to the southwest quarter of section 12 at 1680 feet from the south line and 330 feet from the west line. This small, fairly flat spot is acceptable to the BLM and the operator. The only other alternatives were to move to section 11 and directional drill, or move to the southeast quarter of section 12.

The BLM has the right to require a move of this nature in accordance with 43 CFR 3101.1-2, surface use rights. If you require any additional information or need any further assistance in filing with the NMOCD for the unorthodox spacing, please feel free to contact us.

Sincerely,


Richard L. Manus
Area Manager

Dockets Nos. 16-90 and 17-90 are tentatively for June 13, 1990 and June 27, 1990. Applications for hearing must be filed at least 12 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 30, 1990

RECEIVED MAY 18 1990

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before David R. Catanach, Examiner, or Michael E. Stogner, Alternate Examiner:

CASE 9937: (Continued from May 16, 1990, Examiner Hearing.)

Application of Exxon Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Laguna Salado South Unit Agreement for an area comprising 7040 acres, more or less, of State, Federal and Fee lands in all or portions of Sections 10, 15, 16, 21, 22, 23, 26, 27, 28, 33, 34 and 35, Township 23 South, Range 29 East. This area is located approximately 7 miles east of Loving, New Mexico.

CASE 9939: (Continued and Readvertised)

Application of Santa Fe Energy Operating Partners, L. P. for compulsory pooling and a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 4 through 7 and the NW/4 (W/2 equivalent) of Irregular Section 12, Township 22 South, Range 25 East, forming a non-standard 332.74-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Catclaw Draw-Wolfcamp Gas Pool, Undesignated McKittrick Canyon-Upper Pennsylvanian Gas Pool, Undesignated Hackberry Hills-Canyon Gas Pool, Undesignated Happy Valley-Morrow Gas Pool and/or the Revelation-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 12. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 7 miles west by south of Carlsbad, New Mexico.

CASE 9945: Application of Mobil Producing Texas and New Mexico, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location for its proposed Bridges State Well No. 601 to be drilled 1600 feet from the North line and 2600 feet from the West line (Unit F) of Section 25, Township 17 South, Range 34 East, to test both the Vacuum-Glorieta and Vacuum-Blinebry Pools. Said well is to be dedicated to an existing 40-acre oil spacing and proration unit for each zone comprising the SE/4 NW/4 of said Section 25. The Blinebry zone is presently dedicated to the applicant's Bridges State Well No. 11 located 1980 feet from the North and West lines and the Glorieta zone is presently dedicated to the applicant's Bridges State Well No. 111 located 2310 feet from the North line and 1860 feet from the West line of said Section 25. Said unit is located approximately 2/4 miles west-northwest of Buckeye, New Mexico.

CASE 9946: Application of Mobil Producing Texas and New Mexico, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location for its proposed Bridges State Well No. 602 to be drilled 1460 feet from the North line and 1260 feet from the West line (Unit E) of Section 25, Township 17 South, Range 34 East, to test both the Vacuum-Glorieta and Vacuum-Blinebry Pools. Said well is to be dedicated to an existing 40-acre oil spacing and proration unit for each zone comprising the SW/4 NW/4 of said Section 25. The Blinebry zone is presently dedicated to the applicant's Bridges State Well No. 13 located 1980 feet from the North line and 660 feet from the West line and the Glorieta zone is presently dedicated to the applicant's Bridges State Well No. 103 located 2310 feet from the North line and 660 feet from the West line of said Section 25. Said unit is located approximately 3/4 mile west-northwest of Buckeye, New Mexico.

CASE 9925: (Continued from May 2, 1990, Examiner Hearing.)

Application of Hewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 21, Township 18 South, Range 27 East, and in the following described manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the Undesignated Red Lake-Pennsylvanian Gas Pool, Undesignated Red Lake Atoka-Morrow Gas Pool, and Undesignated Scoggin Draw-Morrow Gas Pool); the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within said vertical extent; and the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on statewide 40-acre oil spacing (which presently includes but is not necessarily limited to the Undesignated Artesia Queen-Grayburg-San Andres Pool, Undesignated East Dayton-Grayburg Pool and Undesignated Empire-Abo Pool). Said units are to be dedicated to a single well to be drilled at a location 660 feet from the North and East lines (Unit A) of said Section 21, being a standard location for zones spaced on 40 and 160 acres and unorthodox for zones spaced on 320 acres. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 6.5 miles south by east of Riverside, New Mexico.

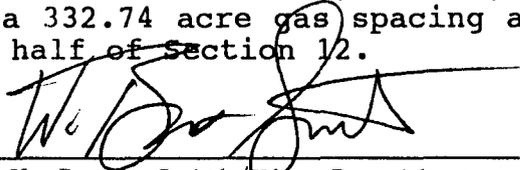
CASE 9924: (Continued from May 16, 1990, Examiner Hearing.)

Application of Strata Production Company to amend Division Order No. R-9097, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-9097, which authorized a horizontal directional drilling pilot project in the SE/4 of Section 18, Township 26 South, Range 25 East, being a standard 160-acre gas spacing and proration unit in the Bone Spring formation by expanding the prescribed area limiting the horizontal displacement of the proposed wellbore such that any portion thereof can be no closer than 330 feet from the North line, nor closer than 660 feet from the East and West lines, nor closer than 460 feet from the South line of said 160-acre tract. Said location is approximately 2.5 miles east of Mile Post No. 6 on U.S. Highway 62/180.

330-660 feet
respected

WAIVER

As an offset operator, Collins & Ware, Inc. waives any objection before the New Mexico Conservation Division for **Yates Energy Corporation** to drill it's McGruder Hill 12 Federal Com #1 at a location of 330' FWL and 1680' FSL of Section 12, T-22-S, R-25-E, Eddy County, New Mexico, for a 332.74 acre gas spacing and proration unit comprising the south half of section 12.

By: 

W. Brett Smith/Vice President

Company: Collins & Ware, Inc.

Date: 4-20-94

WAIVER

As an offset operator, Mewbourne Oil Company waives any objection before the New Mexico Conservation Division for Yates Energy Corporation to drill it's McGruder Hill 12 Federal Com #1 at a location of 330' FWL and 1680' FSL of Section 12, T-22-S, R-25-E, Eddy County, New Mexico, for a 332.74 acre gas spacing and proration unit comprising the south half of Section 12.

By:

Ken Warts

Company:

Mewbourne Oil Co.

Date:

5/4/94

WAIVER

As an offset operator, MARALO, INC. waives any objection before the New Mexico Conservation Division for Yates Energy Corporation to drill it's McGruder Hill 12 Federal Com #1 at a location of 330' FWL and 1680' FSL of Section 12, T-22-S, R-25-E, Eddy County, New Mexico, for a 332.74 acre gas spacing and proration unit comprising the south half of Section 12.

By: R.A. Lowery
R. A. Lowery, Production Manager

Company: MARALO INC.

Date: 3/27/94

WAIVER

As an offset operator, Santa Fe Energy Oper. Partners, LP waives any objection before the New Mexico Conservation Division for Yates Energy Corporation to drill it's McGruder Hill 12 Federal Com #1 at a location of 330' FWL and 1680' FSL of Section 12, T-22-S, R-25-E, Eddy County, New Mexico, for a 332.74 acre gas spacing and proration unit comprising the south half of Section 12.

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exp. Co., Man. Gen. Partner

By: *Gary Green*
Gary Green, Division Landman

APPROVED

<i>GG</i>

Company: _____

Date: April 28th, 1994

WAIVER

As an offset operator, PENNZOIL PETROLEUM COMPANY waives any objection before the New Mexico Conservation Division for Yates Energy Corporation to drill it's McGruder Hill 12 Federal Com #1 at a location of 330' FWL and 1680' FSL of Section 12, T-22-S, R-25-E, Eddy County, New Mexico, for a 332.74 acre gas spacing and proration unit comprising the south half of Section 12.

By:

Eric Davis
SENIOR LAWYERCompany: PENNZOIL PETROLEUM COMPANY

Date:

6-20-94

June 22, 1994

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



RE: Unorthodox Well Location
McGruder Hill "12" Fed Com Well No. 1
Eddy County, New Mexico

Dear Mr. Ross:

As an offset operator, Mitchell Energy Corporation waives any objection before the New Mexico Conversation Division for Yates Energy Corporation to drill its McGruder Hill 12 Federal Com #1 at a location of 330' FWL and 1680' FSL of Section 12, T-22-S, R-25-E, Eddy County, New Mexico, for a 332.74 acre gas spacing and proration unit comprising the south half of Section 12.

Very truly yours,

MITCHELL ENERGY CORPORATION

A handwritten signature in black ink, appearing to read 'MNS', with a long, sweeping underline that extends to the right.

Mark N. Stephenson
Manager, Production Regulatory Affairs

MNS:mw
YECWaiv.mns

34	WALT CANYON UNIT	35	HACKBERRY HILLS UNIT
33	AMERICAN PETROLEUM	34	ROCK TANK UNIT
32	AMERICAN PETROLEUM	33	ROCK TANK UNIT
31	AMERICAN PETROLEUM	32	ROCK TANK UNIT
30	AMERICAN PETROLEUM	31	ROCK TANK UNIT
29	AMERICAN PETROLEUM	30	ROCK TANK UNIT
28	AMERICAN PETROLEUM	29	ROCK TANK UNIT
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26	AMERICAN PETROLEUM	27	ROCK TANK UNIT
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13	AMERICAN PETROLEUM	14	ROCK TANK UNIT
12	AMERICAN PETROLEUM	13	ROCK TANK UNIT
11	AMERICAN PETROLEUM	12	ROCK TANK UNIT
10	AMERICAN PETROLEUM	11	ROCK TANK UNIT
9	AMERICAN PETROLEUM	10	ROCK TANK UNIT
8	AMERICAN PETROLEUM	9	ROCK TANK UNIT
7	AMERICAN PETROLEUM	8	ROCK TANK UNIT
6	AMERICAN PETROLEUM	7	ROCK TANK UNIT
5	AMERICAN PETROLEUM	6	ROCK TANK UNIT
4	AMERICAN PETROLEUM	5	ROCK TANK UNIT
3	AMERICAN PETROLEUM	4	ROCK TANK UNIT
2	AMERICAN PETROLEUM	3	ROCK TANK UNIT
1	AMERICAN PETROLEUM	2	ROCK TANK UNIT

County Eddy Pool Happy Valley-Marrow Gas

TOWNSHIP 22 South

Range 26 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 4 (R-5609, 1-1-78)

Ext: $\frac{1}{2}$ Sec 2, All Sec 8, $\frac{1}{2}$ Sec 9, $\frac{1}{2}$ Sec 16, and All Sec 17 (R-6623, 4-7-81)

Ext: $\frac{1}{2}$ Sec 20, $\frac{1}{2}$ Sec 16 (R-6724, 7-16-81) Ext: $\frac{1}{2}$ Sec 20 (R-6923, 3-9-82) Ext: $\frac{1}{2}$ Sec 19, $\frac{1}{2}$ Sec 30 (R-7668, 9-21-84)

Ext: $\frac{1}{2}$ Sec. 28, All Sec. 29 (R-8229, 5-19-86) Ext: All Sec. 27 (R-8391, 1-22-87)

Ext: $\frac{1}{2}$ Sec 28 (R-8827, 12-23-88) Ext: All Sec 21 (R-9096, 1-1-90)

NM OIL CONS. COMMISSION

**DRAWER DD
ARTESIA, NM 88210**

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

SUBMIT IN TRIPLICATE ON DIVISION FORM
(Other instructions on reverse side) **FILED**

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

54

'94 APR 20 AM

5. LEASE DESIGNATION AND SERIAL NO.
8 N50-63229 89805 (mlt)

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
330' FWL & 1680' FSL
At proposed prod. zone
SAME

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
7 Miles West of Carlsbad

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) **330'**

16. NO. OF ACRES IN LEASE **86.57**

17. NO. OF ACRES ASSIGNED TO THIS WELL **332.74**

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

19. PROPOSED DEPTH **11,200**

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3538.2' GR

22. APPROX. DATE WORK WILL START*
May 15, 1994

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
MCGRUDER HILL 12 FED. COM. #1

9. AP WELL NO.
30-015-27918

10. FIELD AND POOL, OR WILDCAT
WILDCAT, MORROW 96034

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec 12-T22S-R25E 90622

12. COUNTY OR PARISH **EDDY** 13. STATE **NM**

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASINO	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	54.5#	400'	450 sx circulate
12 1/4"	8 5/8"	32 #	2300'	1050 sx circulate
7 7/8"	5 1/2"	17 #	TD	600 sx (tieback)

Yates Energy Corporation proposes to drill and test the Morrow and intermediate formations. Approximately 400' of surface casing and 2300' of intermediate casing will be set and cemented to surface. If warranted, will run 5 1/2" casing and cement with a minimum of 600' of cover, perforate and stimulate as needed for production.

MUD PROGRAM See Attachment
BOP PROGRAM See Attachment

An APD was submitted and approved by the BLM 8-22-90 under the well name Pussyfoot^{12'} Federal Com #1

RECORDED
MAY 11 1994
MAY 11 1994

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 [Signature] TITLE Engineer DATE 3-10-94

(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:

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

APPROVED BY [Signature] TITLE AREA MANAGER DATE APR 13 1994

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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 1-1-89

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

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

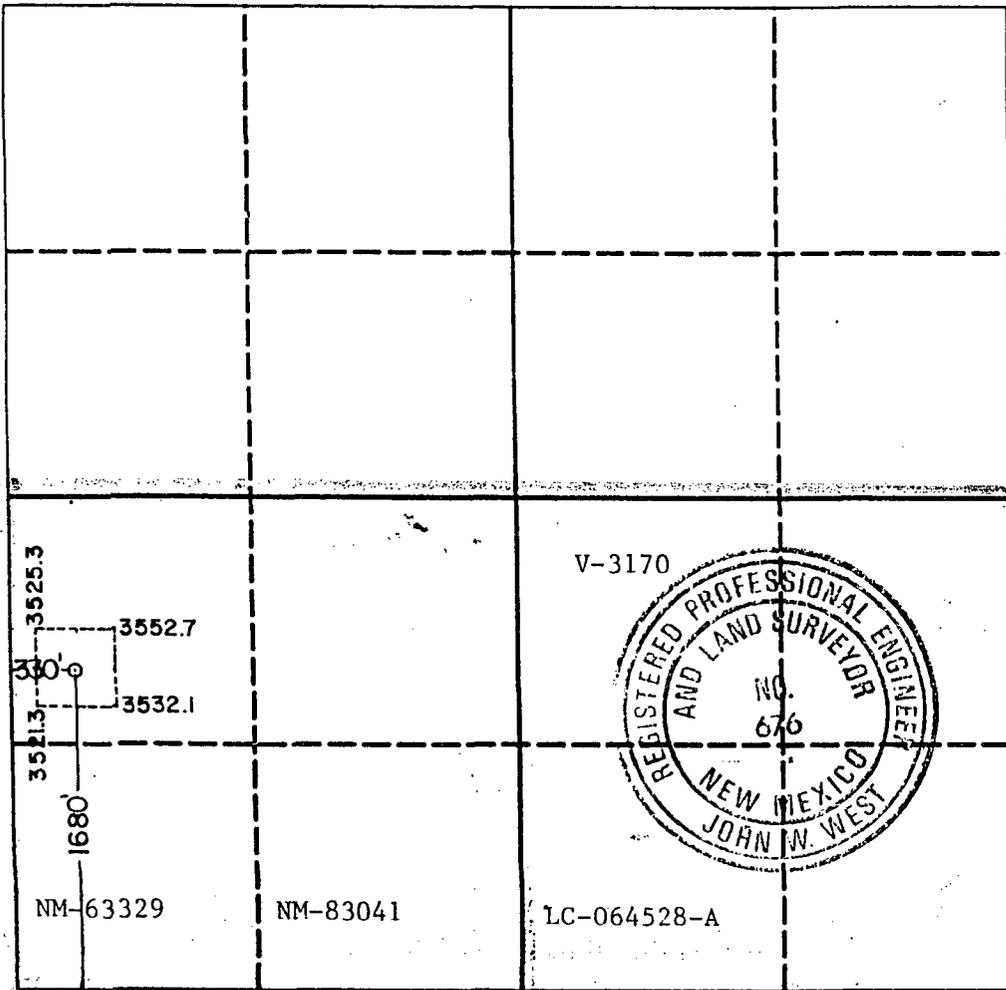
All Distances must be from the outer boundaries of the section

Operator YATES ENERGY CORP.			Lease McGruder Hill 12 Fed. Comm		Well No. 1
Unit Letter L	Section 12	Township 22 South	Range 25 East	County Eddy	
Actual Footage Location of Well: 1680 feet from the South line and 330 feet from the West line					
Ground level Elev. 3538.2	Producing Formation Morrow		Pool HAPP VALLEY WND Wildcat (Morrow)	Dedicated Acreage: 332.74 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
 - If more than one lease is dedicated to this 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.?

Force pooling application pending,

 Yes No If answer is "yes" type of consolidation to be communitized if productive.
- If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of 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 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
Sharon R. Hamilton

Printed Name
Sharon R. Hamilton

Position
Landman

Company
Yates Energy Corporation

Date
7/13/90

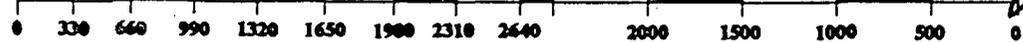
SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
June 14, 1990

Signature & Seal of Professional Surveyor
John W. West

Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239

128630



CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

06/03/94 13:25:12
OGOMES -EMFP
PAGE NO: 1

Sec : 12 Twp : 22S Rng : 25E Section Type : NORMAL

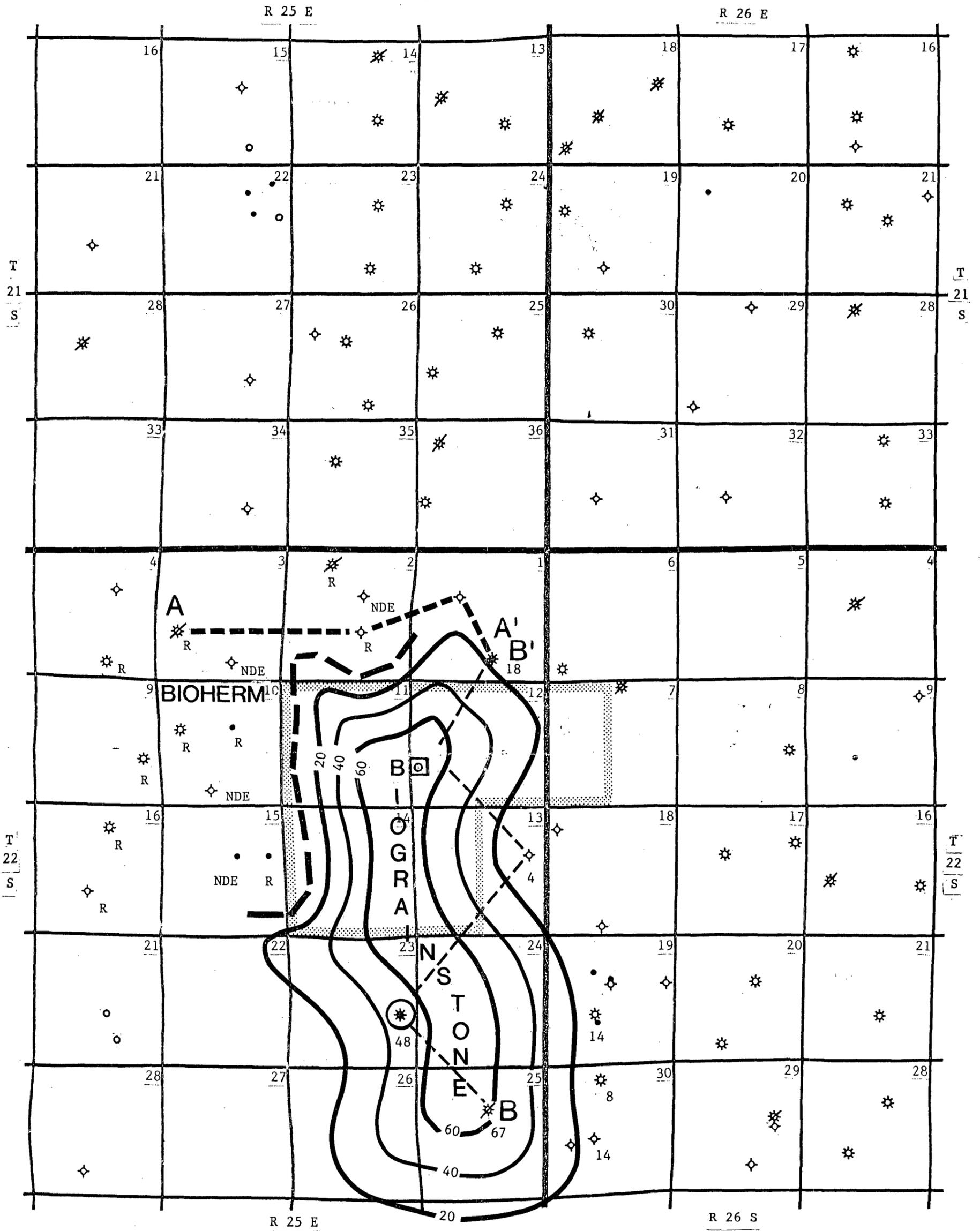
D 40.00 Fee owned	C 40.00 Fee owned	2 43.73 Federal owned	1 43.98 Federal owned
E 40.00 Federal owned	F 40.00 Federal owned	3 42.79 Federal owned	H 40.00 CS E05679 2 10/61 PENNZOIL PET CO

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

Sec : 12 Twp : 22S Rng : 25E Section Type : NORMAL

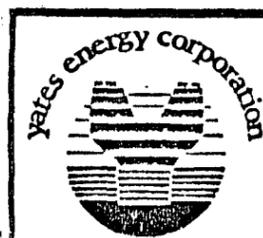
5 43.26 Federal owned	4 43.06 Federal owned	J 40.00 CS V03170 12/94 SANTA FE ENERGY O	I 40.00 Federal owned
6 43.31 Federal owned	7 43.11 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12



LEGEND

-  PROPOSED LOCATION
-  YEC Acreage
-  Prospect Outline
-  Upper Penn "C-2" Producer
- R = "Reef" or "Bioherm"

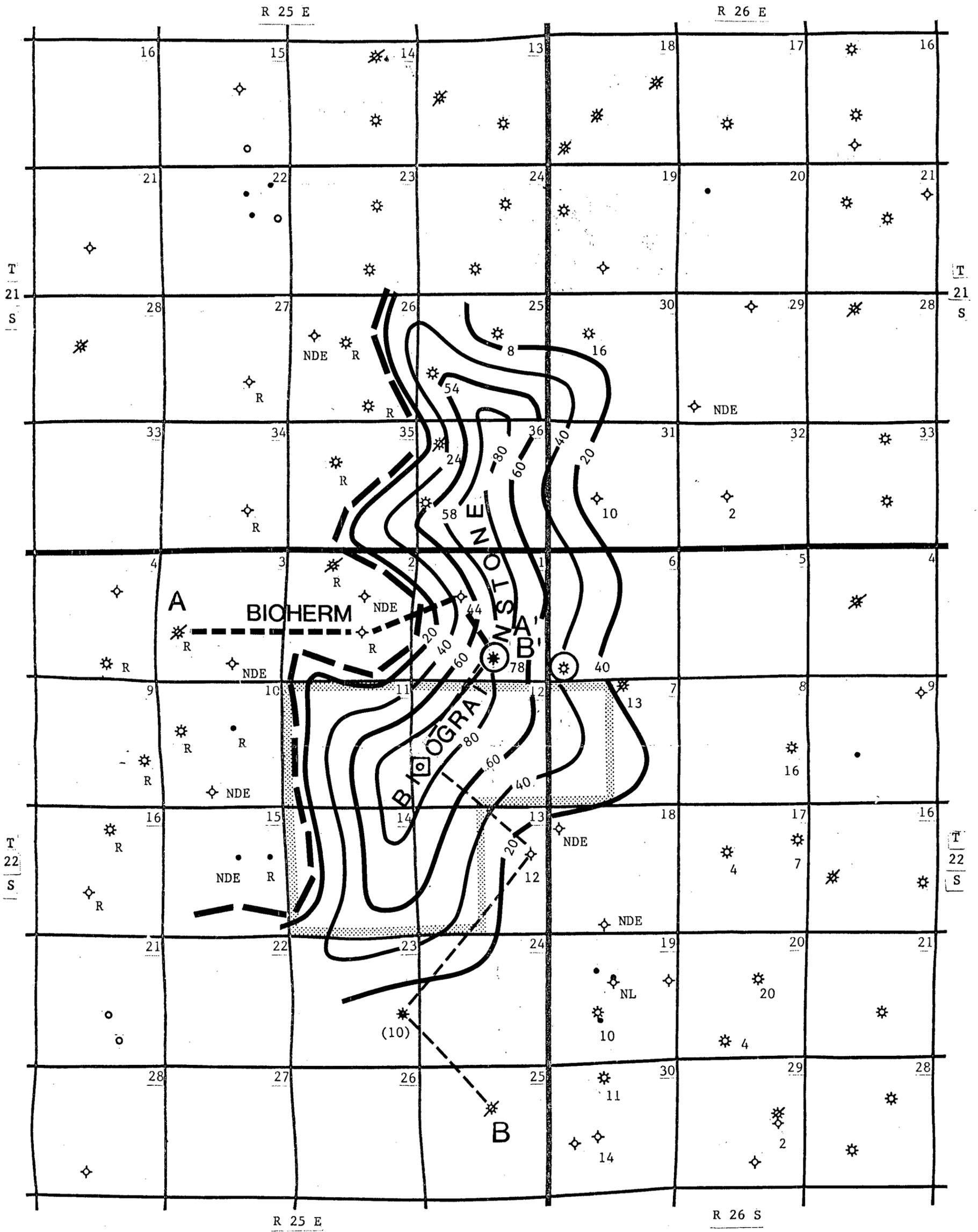


PUSSYFOOT PROSPECT
EDDY COUNTY
NEW MEXICO

ISOPACH MAP
Upper Penn "C-2" Interval
Net Clean Carbonate
CI: 20'

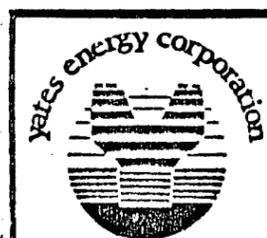
Scale: 1":4000'

January, 1990



LEGEND

-  PROPOSED LOCATION
-  YEC Acreage
-  Prospect Outline
-  Upper Penn C-3 Producer
- R = "Reef" or "Bioherm"



PUSSYFOOT PROSPECT
EDDY COUNTY
NEW MEXICO

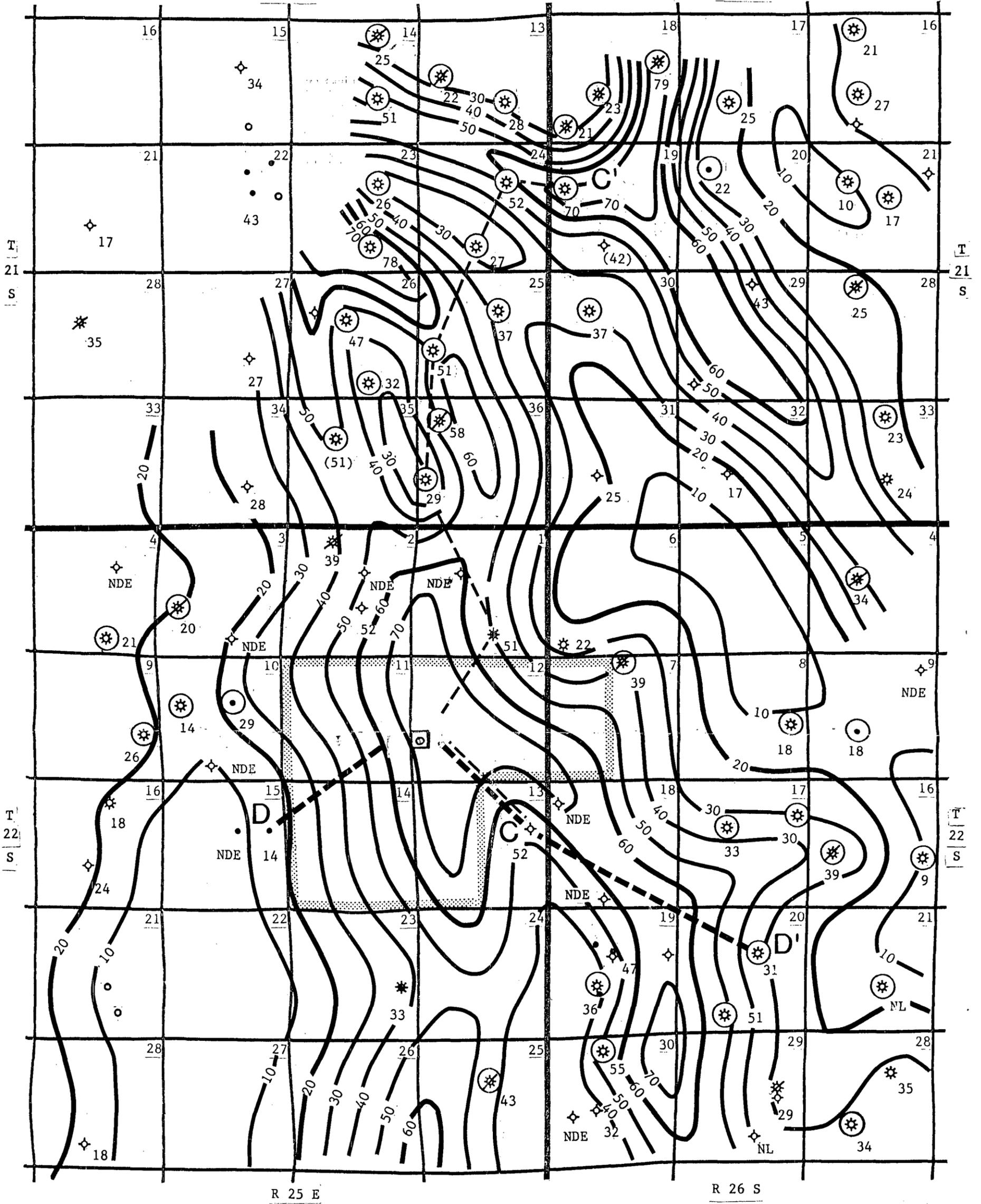
ISOPACH MAP
Upper Penn C-3 Interval
Net Clean Carbonate
CI: 20'

Scale: 1":4000'

January, 1990

R 25 E

R 26 E



LEGEND

-  PROPOSED LOCATION
-  YEC Acreage
-  Prospect Outline
-  Morrow Producer



PUSSYFOOT PROSPECT
 EDDY COUNTY
 NEW MEXICO

ISOPACH MAP
 Upper Morrow UMC & UMD Sand Interval
 Net Clean Sand
 CI: 10'

Scale: 1":4000'

January, 1990