

DATE IN 6/5/08	SUSPENSE	ENGINEER Brooks	LOGGED IN 6/6/08	TYPE NSL	APP NO. PKV0815837838
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ABOVE THIS LINE FOR DIVISION USE ONLY

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



Yates Petroleum Corp  
East Sand Springs BFZ  
State #3

**ADMINISTRATIVE APPLICATION CHECKLIST**

5865

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

[D] Other: Specify \_\_\_\_\_

2008 JUN 5 PM 3:28 RECEIVED

[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      6/5/08  
 Print or Type Name      Signature      Title      Date  
 omundsdry@hollandhart.com  
 e-mail Address



June 5, 2008

**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

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its East Sand Springs BFZ State Well No. 3 located 1000 feet from the South line and 1400 feet from the West line of Section 6, Township 11 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Pursuant to the provisions of Division Rule 104 F (2), Yates Petroleum Corporation ("Yates") hereby seeks administrative approval of an unorthodox well location for its East Sand Springs BFZ State Well No. 3 located 1000 feet from the South line and 1400 feet from the West line of Section 6, Township 11 South, Range 35 East, N.M.P.M., Lea County, New Mexico. The SE/4 SW/4 of Section 6 will be dedicated to the well.

This location is unorthodox because it is governed by the Statewide Rules which provide for wells on 40-acre spacing to be located 330 feet from any boundary of the spacing unit. The proposed location is unorthodox because it is only 80 feet from the western boundary. A standard 40-acre spacing and proration unit comprised of the SE/4 SW/4 of Section 6 will be dedicated to the well.

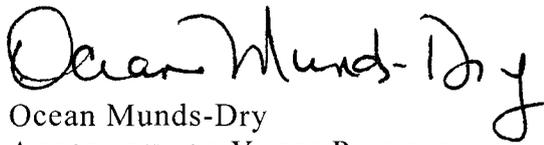
Yates originally drilled this well as an Atoka-Morrow-Mississippian gas test. As discussed by Mr. Amiet in **Exhibit A**, the well has now become uneconomic to produce and Yates would like to test a Basal Abo zone. It would be economic to test the Abo in the existing wellbore rather than drill a new well and will avoid having to plug and abandon this well.

Attached hereto as **Exhibit B** is a plat as required by Rule 104.F (3). Yates is also the offset operator towards which the well is encroaching and 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

**REQUEST FOR LOCATION EXCEPTION – EAST SAND SPRINGS BFZ ST. # 3**

Yates Petroleum Corporation is requesting a location exception for the East Sand Springs State # 3 well, which is located 1000' FSL and 1400' FWL of section 6, T11S R35E. This well was drilled as an orthodox Atoka-Morrow-Mississippian gas test. The well has produced 343 BO and 22 MMCF, but has become uneconomic to produce. There is a prospective Basal Abo zone to test, but the well location is not orthodox for shallow oil production according to state wide Division rules.

Section 6 is a smaller than normal in size and Yates has leased the west half (184.24 acres) of the section. The only other productive well in this section is a productive Abo well in the east half of section 6 (the Chesapeake, Snake Eyes #1). It is not economic to drill a 9,300' well at a cost of \$2,000,000 for a zone with limited potential. To test this proposed zone in the existing wellbore would cost approximately \$90,000.

Without a location exception, Yates will have to P&A this well. Recompleting this well in the existing wellbore gives Yates Petroleum the best chance to extend production for this lease, which benefits both Yates and the State of New Mexico. This seems to be 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.

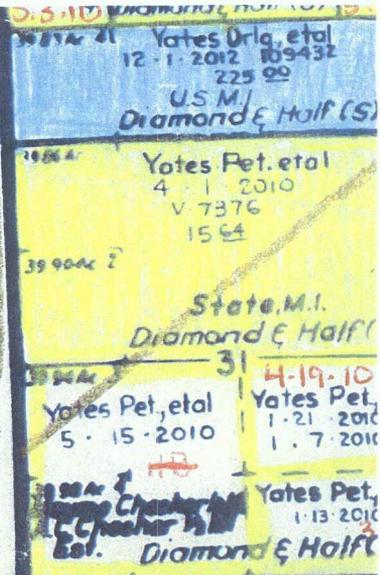
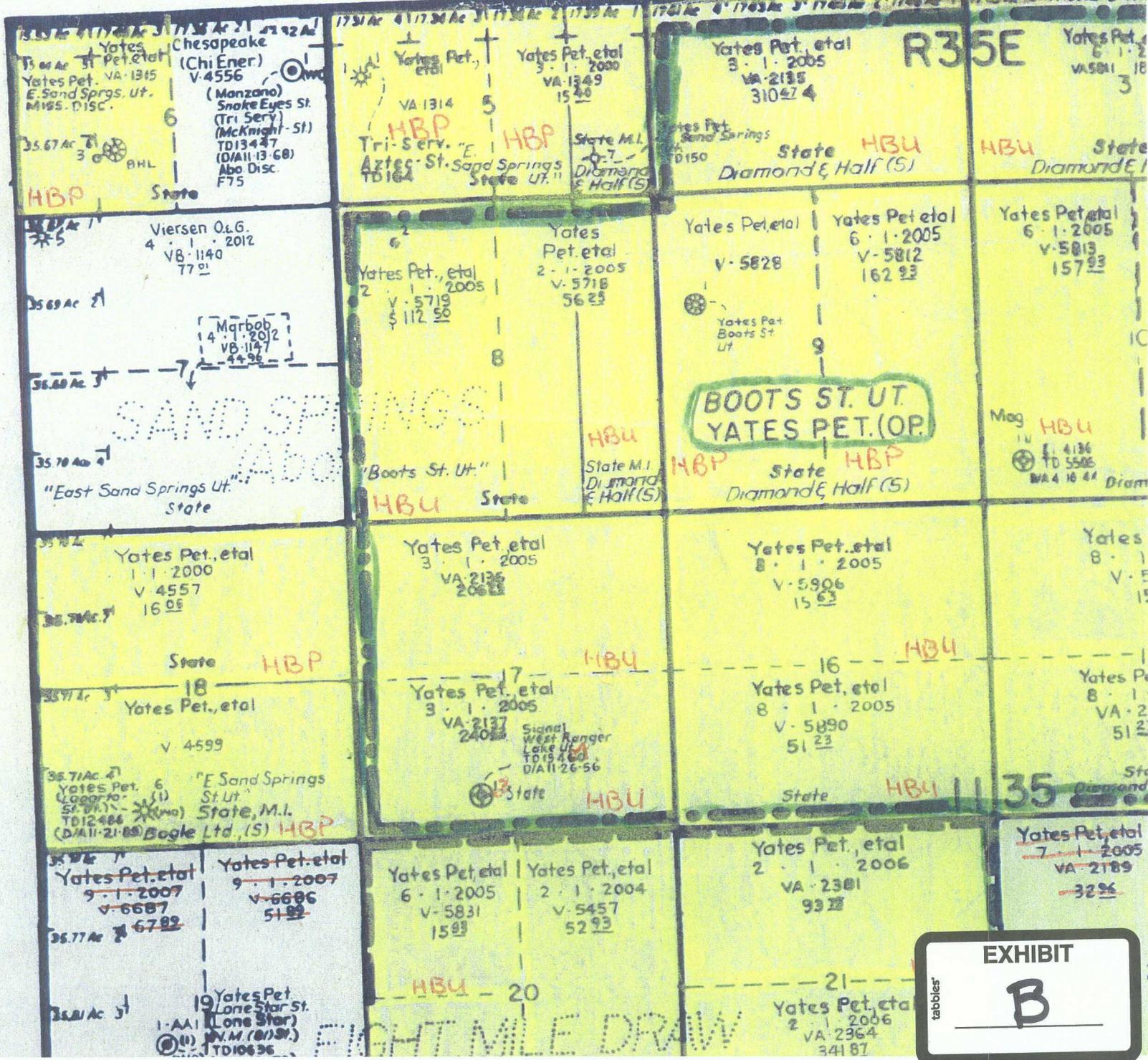


John Amiet      505-748-4312



R34E

R35E



EXHIBIT

B

tabbles

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number 30-025-34898		<sup>2</sup> Pool Code 96803		<sup>3</sup> Pool Name Sand Springs; Abo	
<sup>4</sup> Property Code 34507		<sup>5</sup> Property Name East Sand Springs BFZ State			<sup>6</sup> Well Number 3
<sup>7</sup> OGRID No. 025575		<sup>8</sup> Operator Name Yates Petroleum Corporation			<sup>9</sup> Elevation 4182'GR

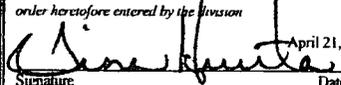
<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	6	11S	35E		1000	South	1400	West	Lea

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Dedicated Acres 40		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No.			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<sup>16</sup>				<b><sup>17</sup> OPERATOR CERTIFICATION</b> <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division</i>  Signature April 21, 2008 Date	
				Tina Huerta Printed Name	
Lot 4	Lot 3	Lot 2	Lot 1		
				<b><sup>18</sup> SURVEYOR CERTIFICATION</b> <i>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 belief</i>	
				Date of Survey	
				Signature and Seal of Professional Surveyor	
				Certificate Number	

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (575) 748-1471

S.P. YATES  
CHAIRMAN EMERITUS  
JOHN A. YATES  
CHAIRMAN OF THE BOARD  
FRANK YATES, JR.  
PRESIDENT  
PEYTON YATES  
DIRECTOR  
JOHN A. YATES, JR.  
DIRECTOR

May 30, 2008

Attn: Ocean Munds-Dry  
Holland & Hart LLP  
PO Box 2208  
Santa Fe, New Mexico 87504-2208

RE: Non-Standard Oil Well Location  
East Sand Springs BFZ St #3  
Township 11 South, Range 35 East  
Section 6: 1000' FSL & 1400' FWL  
Lea County, New Mexico

Dear Ocean:

Yates Petroleum Corporation respectfully requests that you make application before the NMOCDC for a non-standard location for the East Sand Springs BFZ St #3 well which we will attempt to complete in the Sand Springs Abo pool as an oil well.

Enclosed is our justification, land plat and a new C-102. We have not given notice to Chesapeake Exploration Limited Partnership nor Vierson Oil & Gas Company.

Please call me at 575-748-4351 if you need any additional information.

Thank you.

Very truly yours,

**YATES PETROLEUM CORPORATION**

Robert Bullock  
Landman

RB:bn  
enclosure(s)