

NSL

9/10/96

NSL-2 PLS. 18

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN

MICHAEL H. FELDEWERT  
TANYA M. TRUJILLO  
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JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

August 21, 1996

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

RECEIVED  
AUG 21 1996  
Oil Conservation Division

Re: *Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Diamond AKI Federal No. 3 Well, 2217 feet from the South line and 2013 feet from the West line of Section 34, Township 20 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.*

Dear Mr. LeMay:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Diamond AKI Federal No. 3 Well to be drilled at an unorthodox well location 2217 feet from the South line and 2013 feet from the West line of Section 34, Township 20 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

This unorthodox location in the Upper Pennsylvanian formation, (South Dagger Draw Upper Pennsylvanian Associated Pool and Morrow Formation) is necessary for topographical reasons. Yates original surface location for the well was 1650 feet from the South line and 1980 feet from the West line of said Section 34. However, this location was not a satisfactory drill site and the Bureau of Land Management refused to approve a standard location for this well due to its being on a steep slope, as shown of Exhibit A, attached hereto. The new unorthodox location is on an existing well pad and is acceptable to the Federal government.

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources

August 19, 1996

Page 2

Attached hereto as Exhibit B is a plat showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units.

Exhibit C hereto is a list of the parties affected by this application. On this date, a copy of this application, including the plat described in Rule 104 F (3), was provided to each of the affected parties as required by Division Rule 104 F (4) by certified mail advising each that if they have an objection to this location it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was mailed.

Your attention to this application is appreciated.

Very truly yours,



WILLIAM F. CARR  
Attorney for Yates Petroleum Corporation  
Enclosures

cc: Ms. Kathy H. Porter, CPL  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

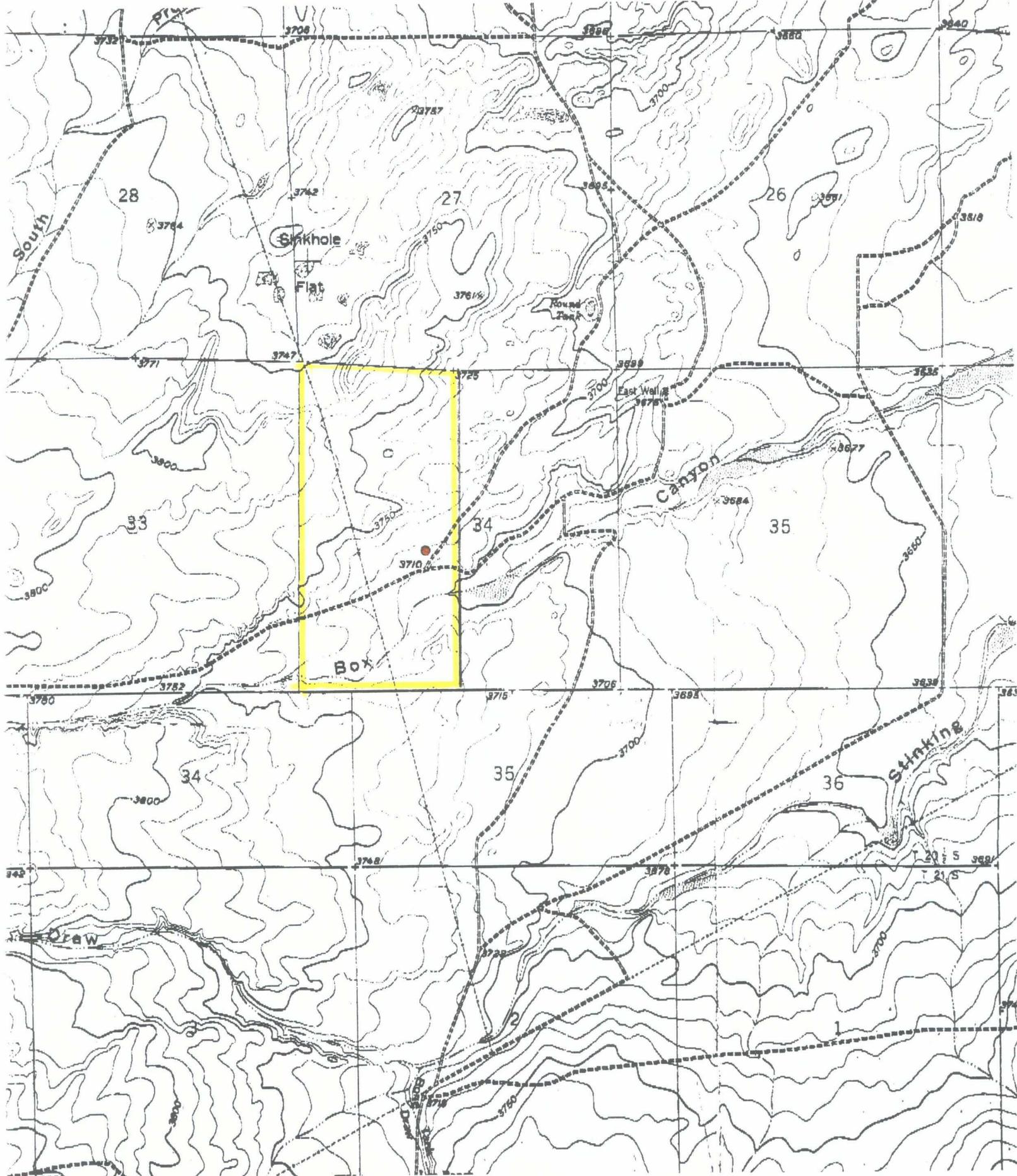


Exhibit A



**EXHIBIT C**

**AFFECTED PARTIES**

Application of Yates Petroleum Corporation for  
administrative approval of an unorthodox well location  
Diamond AKI Federal No. 3 Well  
2217 feet from the South line and 2013 feet from the West line  
Section 34, Township 20 South, Range 24 East, NMPM  
Eddy County, New Mexico

Conoco, Inc  
10 Desta Drive, Suite 100 West  
Midland, Texas 79705

Marathon Oil Company  
Post Office Box 552  
Midland, Texas 79702

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
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TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

August 21, 1996

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Conoco, Inc.  
10 Desta Drive, Suite 100 West  
Midland, Texas 79705

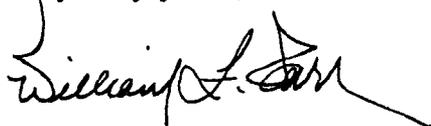
Re: *Application of Yates Petroleum Corporation for administrative approval of an unorthodox well location for its Diamond AKI Federal No. 3 Well, 2217 feet from the South line and 2013 feet from the West line of Section 34, Township 20 South, Range 24 East, N.M.P.M., Eddy County, New Mexico*

Gentlemen:

Enclosed is a copy of the above-referenced application which was filed on this date on behalf of Yates Petroleum Corporation for administrative approval of an unorthodox well location for its proposed Diamond AKI Federal No. 3 Well to be drilled 2217 feet from the South line and 2013 feet from the West line of Section 34, Township 20 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,



WILLIAM F. CARR

enc.

cc: Ms. Kathy Porter, CPL

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
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Post Office Box 552  
Midland, Texas 79702

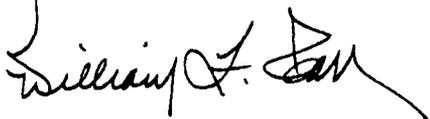
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Gentlemen:

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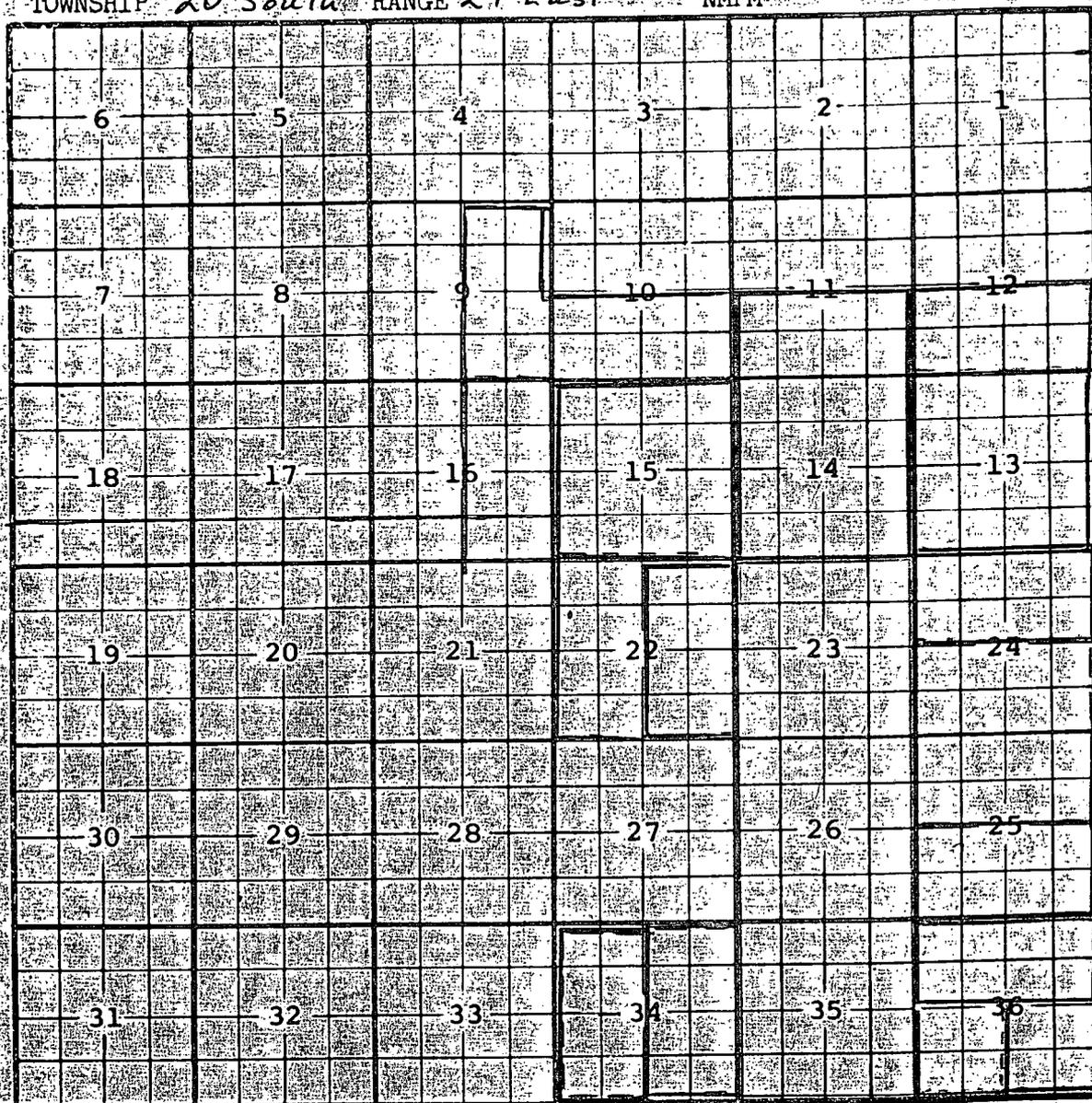
WILLIAM F. CARR

enc.

cc: Ms. Kathy Porter, CPL

COUNTY Eddy POOL South Dagger Draw - Upper Pennsylvanian,  
Assoc.

TOWNSHIP 20 South RANGE 24 East NMPM



Description: All Sec. 23, 26 & 35 (R-4637, 10-1-73) EXT: E/2 SEC 22  
(R-9134, 4-1-90) EXT: S/2 SEC 11, All SEC 14 (R-9171, 6-1-90)  
EXT: All Sec. 15 (R-9326, 11-7-90) EXT: W/2 SEC 22 (R-9418, 2-1-91)  
EXT: S/2 SEC 12 (R-9473, 4-1-91) EXT: E/2 SEC 9, S/2 SEC 10, All SEC 13 (R-9545, 7-1-91)  
EXT: N/2 SEC 36 (R-9578, 9-10-91) EXT: N/2 SEC 24 (R-9668, 5-6-92)  
EXT: S/2 SEC 24, N/2 SEC 25 (R-9709, 8-25-92) EXT: S/2 SEC 25 (R-9837, 1-27-93)  
EXT: S/4 SEC 36 (R-9844, 2-8-93) EXT: E/2 SEC 34 (R-10042, 12-28-93)  
EXT: E/2 SEC 16, S/4 SEC 36 (R-10050, 1-26-94) EXT: W/2 SEC 34 (R-10591, 5-8-96)

COUNTY Eddy POOL Cemetery - Morrow Gas

TOWNSHIP 20 South RANGE 24 East NMFM

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

Ext: All Sec 1 (R-5417, 4-1-77) Ext:  $\frac{N}{2}$  Sec 24 (R-5667, 4-1-78)  
 Ext:  $\frac{N}{2}$  Sec 36 (R-5781, 9-1-78) Ext:  $\frac{S}{2}$  Sec 36 (R-5988, 5-1-79)  
 EXT:  $\frac{S}{2}$  sec 2 (R-8969, 8-1-89) EXT:  $\frac{N}{2}$  SEC 11 (R-9096, 1-1-90)  
 Ext:  $\frac{N}{2}$  Sec. 35 (R-9938, 8-17-93)



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 S. PACHECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-7131

October 15, 1996

**Yates Petroleum Corporation**  
**c/o Campbell, Carr, Berge & Sheridan, P. A.**  
**P. O. Box 2208**  
**Santa Fe, New Mexico 87504-2208**  
**Attention: William F. Carr**

*Administrative Order DD-155-A*

Dear Mr. Carr:

Reference is made to your application on behalf of the operator, Yates Petroleum Corporation ("Yates"), dated September 6, 1996 for authorization to directional drill its proposed Diamond "AKI" Federal Well No. 2, 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** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) The operator proposes to locate said well at a previously approved unorthodox surface location 2217 feet from the South line and 2013 feet from the West line (Unit K) of Section 34, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, kickoff in a southwesterly direction and directionally drill to an estimated true vertical depth of 9,200 feet in order to test both the Undesignated Cemetery-Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool at a subsurface location considered to be standard for both intervals within the NE/4 SW/4 (Unit K) of said Section 34;
- (3) The Undesignated Cemetery-Morrow Gas Pool is subject to the statewide rules and regulations for gas wells to all horizons of Wolfcamp age or older, as promulgated by **Rule 104.C(2)(b)**, which provides for 320-acre gas spacing and proration units, or drilling units, and requires that wells be located no closer than 660 feet to the nearest side boundary of the designated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary thereon
- (4) The South Dagger Draw-Upper Pennsylvanian Associated Pool is to the "*Special Rules and Regulations For The South Dagger Draw-Upper Pennsylvanian Associated Pool*", as promulgated by Division Order No. R-5353, as amended by supplemental Orders "A", "L", and "L-1", which includes provisions for 320-acre spacing and proration units for

both oil and gas and well location requirements which provides that wells be no closer than 660 feet to the outer boundary of a 320-acre spacing unit and not closer than 330 feet to any quarter-quarter section line or subdivision inner boundary thereon;

- (5) Both intervals are to be dedicated to the 320 acres, being a standard spacing and proration unit for both aforementioned pools, comprising the W/2 of said Section 34;
- (6) By Division Administrative Order NSL-3709, dated September 10, 1996, the operator received approval to drill the subject Diamond "AKI" Federal Well No. 3 at the aforementioned unorthodox location for both the Undesignated Cemetery-Morrow Gas and South Dagger Draw-Upper Pennsylvanian Associated Pools
- (7) It is necessary for the operator to directionally drill the Diamond "AKI" Federal Well No. 3 in the above-described manner in order to satisfy the United States Bureau of Land Management surface use restrictions and to obtain an acceptable subsurface location for this well;
- (8) The applicable drilling window or "producing area" for said wellbore should include that area within the NE/4 SW/4 (Unit K) of said Section 34 that is no further than 1980 feet from the West line of said Section 34 nor closer than 330 feet to any internal quarter-quarter section line; and,
- (9) It appearing the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Diamond "AKI" Federal Well No. 3 at a previously approved unorthodox surface location (approved by Division Administrative Order NSL-3709, dated September 10, 1996) 2217 feet from the South line and 2013 feet from the West line (Unit K) of Section 34, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico and directional drill in a southwesterly direction in such a manner as to bottom said well within both the Undesignated Cemetery-Morrow Gas Pool and South Dagger Draw-Upper Pennsylvanian Associated Pool at a standard subsurface well location (for both intervals) within the NE/4 SW/4 (Unit K) of said Section 34 that is no further than 1980 feet from the West line of said Section 34 nor closer than 330 feet to any internal quarter-quarter section line.

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

PROVIDED FURTHER 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) The 320 acres, being a standard spacing and proration unit for both aforementioned pools, comprising the W/2 of said Section 34 shall be dedicated to said well.

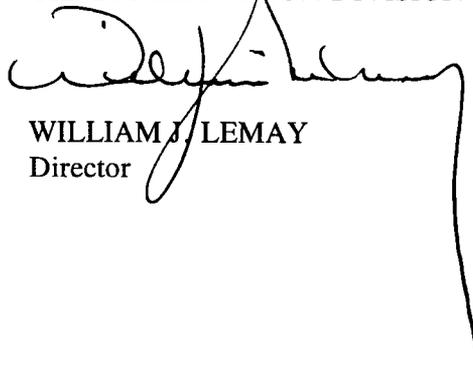
(4) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F.

(5) 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.

(6) 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/kv

cc: Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
File: NSL-3709  
DD-155