

DATE IN 7/16/08	SUSPENSE	ENGINEER Brooks	LOGGED IN 7/16/08	TYPE NSL	APP NO PKU0819849782
--------------------	----------	--------------------	----------------------	-------------	-------------------------

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
Eureka UK State # 2
5894

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

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

2008 JUL 16 PM 1 40
 RECEIVED

[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.

W Lucky Beigg *Walter M Beigg* *Associate Landman* *7/16/08*
 Print or Type Name Signature Title Date

e-mail Address

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

July 9, 2008

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Mr. Mark Fesmire

Re: Administrative Application of Yates Petroleum Corporation for Approval of
an Unorthodox Gas Well Location, Chaves County New Mexico

Dear Mr. Fesmire:

Yates Petroleum Corporation in accordance with Division General Rule 104.F applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location for any and all gas production for its proposed Eureka "UK" State #2 well to be drilled at an unorthodox gas well location of 300 feet from the East line and 2300 feet from the South line (Unit I) of Section 20, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico and to be dedicated to a E/2 spacing unit for all formations that require a 320 acre spacing unit and the SE/4 for all formations that require a 160 acre spacing unit, and in support states:

- 1) Yates Petroleum Corporation (Yates) is the operator of subject proposed well and is a working interest owner in the E/2 of Section 20, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico (See Exhibit A & B enclosed)
- 2) Yates proposes to drill its Eureka "UK" State #2 at an unorthodox gas well location of 300 feet from the East line and 2,300 feet from the South line (Unit I) of Section 20, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico. (See Exhibit A enclosed)
- 3) The subject well is to be drilled at an unorthodox location because the geology of the area indicates we need to be structurally higher for the Siluro-Devonian dolomite as explained in Exhibit C. Also enclosed to explain the geology is a Geologic Cross Section (Exhibit D) and a Seismic Time Structure map (Exhibit E) provided by our geological department.
- 4) In the event the Siluro-Devonian is not capable of commercial production in this well, then Yates intends to test viable formations up the hole, including the Wolfcamp formation and the Abo formation which will also be at an unorthodox well location.

RANDY G. PATTERSON
SECRETARY

DAVID LANNING
CHIEF OPERATING OFFICER

DENNIS G. KINSEY
TREASURER

320
under Foot Ranch Pce. Permian
160
under Foot Ranch WC Gas
Pecos slope also Dec
2008 JUL 15 PM 3 35
RECEIVED

- 5) The lease on which the well will be drilled encompasses the entire Section 20, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico.
- 6) The spacing units that will be encroached by placement of the well at 300 feet from the East line and 2300 feet from the South line will include:

For 320 acre spacing unit:

- a. the W/2 spacing Section 21, Township 10 South - Range 26 East which contains Federal Leases NM-108965 & NM-90864 and the Kirby Fed Com #1 well.

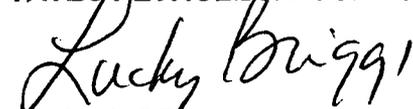
For 160 acre spacing unit:

- a. the N/2 Section 20, Township 10 South - Range 26 East which contains State Lease LG-338 and the Eureka "UK" State #1 well. This is the section that will contain the proposed well, Eureka "UK" State #2 and has the same working interest owners throughout the section,
 - b. the NW/4 spacing Section 21, Township 10 South - Range 26 East which contains Federal Leases NM-108965 & NM-90864 and the Kirby Fed Com #1 well.
 - c. the SW/4 spacing Section 21, Township 10 South - Range 26 East which contains Federal Leases NM-108965 & NM-90864.
- 7) As required by Rule 19.15.3.104.D.(2)(c), the affected persons are identified in Exhibit B.
 - 8) Yates is the offset operator in adjoining and diagonal spacing units to this proposed well. (See Exhibits A & B)

Wherefore, Yates Petroleum Corporation requests simultaneously while all affected persons are notified that this matter be approved administratively by the Division.

Respectfully submitted,

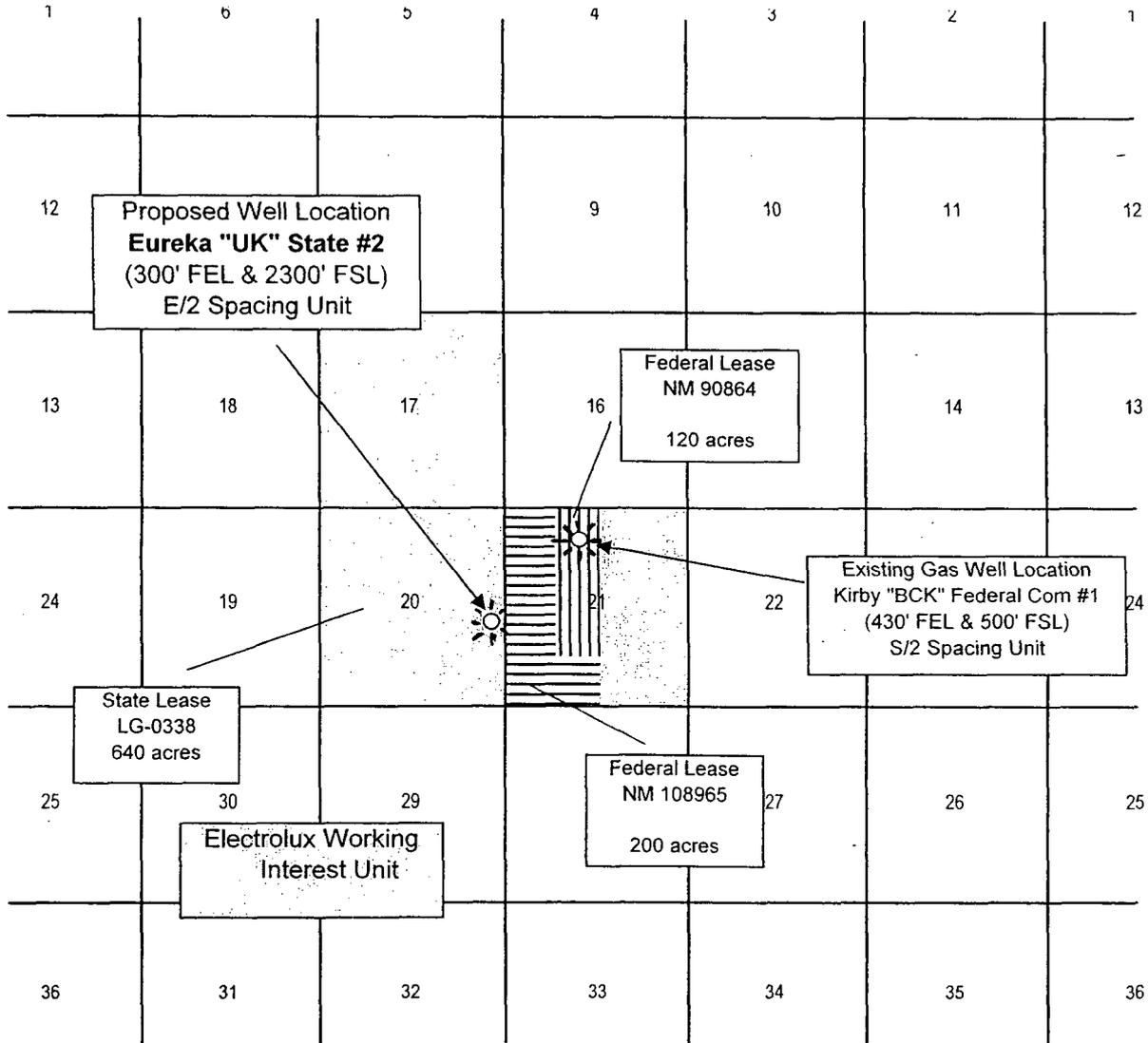
YATES PETROLEUM CORPORATION


W. "Lucky" Briggs
Associate Landman

Enclosure

**Exhibit A
Plat**

**Eureka "UK" State #2
(Township 10S-Range 26E-Section 20)
Chaves County, NM**



**Exhibit B
Affected Parties**

**Eureka "UK" State #2
(Township 10S-Range 26E-Section 20)
Chaves County, NM**

T10S-R26E-Sec 20: E/2 (Proposed Well Spacing Unit)

Lease # Working Interest Owners

T10S-R26E-Sec 20: N/2

State of New Mexico Lease	LG-0338	Yates Petroleum Corporation Yates Drilling Company Myco Industries, Inc. Abo Petroleum Corporation Warren Resources, Inc.	Operator
---------------------------	---------	---	----------

T10S-R26E-Sec 21: W/2, NW, SW

BLM Lease	NM 108965	Yates Petroleum Corporation Yates Drilling Company Myco Industries, Inc. Abo Petroleum Corporation Warren Resources, Inc.	Operator
-----------	-----------	---	----------

BLM Lease	NM 90864	Yates Petroleum Corporation Yates Drilling Company Myco Industries, Inc. Abo Petroleum Corporation Warren Resources, Inc.	Operator
-----------	----------	---	----------

Affected Party Addresses:

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210-2118

Myco Industries, Inc.
105 South Fourth Street
Artesia, NM 88210-2118

Yates Drilling Company
105 South Fourth Street
Artesia, NM 88210-2118

Warren Resources, Inc
123 West 1st Street, Suite 505
Casper, WY 82601

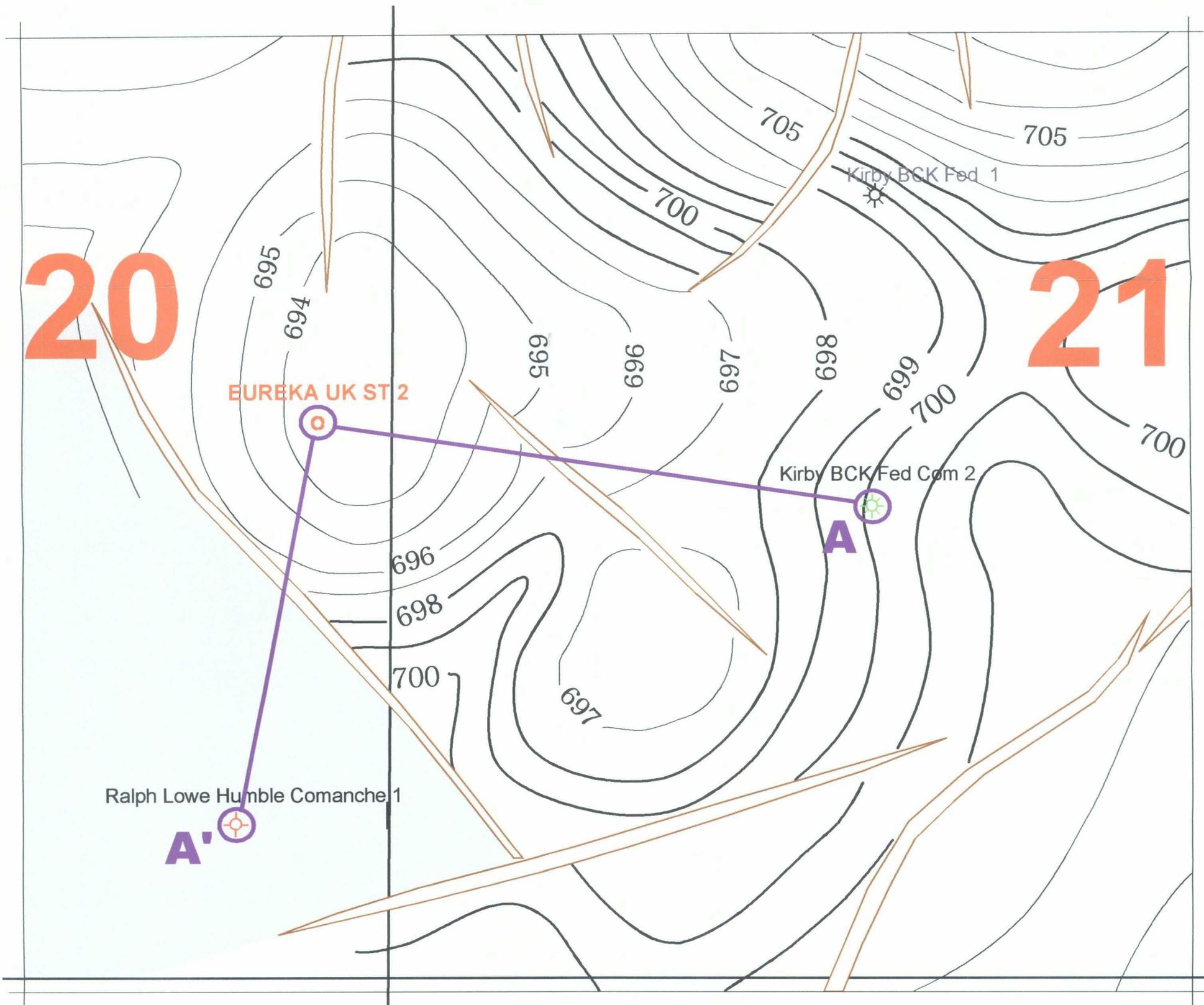
Abo Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210-2118

EUREKA UK STATE #2
2300 FSL & 300 FEL
20-10S-26E
CHAVES COUNTY, NEW MEXICO

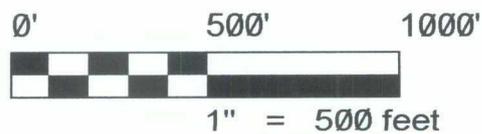
Yates Petroleum Corporation proposes the Eureka UK State #2 at an unorthodox location of 2,300 feet FSL & 300 feet FEL in 20-10S-26E. As shown by the Siluro-Devonian Seismic Time Structure Map the Eureka UK State #2 proposed location is situated near the crest of a closed structure. At this unorthodox location the Eureka UK State #2 will have the best chance of encountering productive Siluro-Devonian dolomite.

The A-A' Structural Cross-Section depicts the Eureka UK State #2 up dip and on the up thrown side of a fault from the Kirby BCK Fed Com #2. The Kirby BCK Fed Com #2 has produced 647 MMCF of gas and 2,067 barrels of oil from September 2007 through the present from the Siluro-Devonian dolomite. On the cross-section the Siluro-Devonian is shaded in blue. To the south as shown by the Seismic structure map and the cross-section the Siluro-Devonian dolomite is not present in the Ralph Lowe Humble Comanche #1. This well is on the up thrown side of a northwest to southeast trending fault that ended in Strawn time as shown by the A-A' Cross-Section. Either the Siluro-Devonian was never deposited in this area or it was eroded away. This up thrown side of the fault also could have acted as a seal to trap hydrocarbons in this structure within the Siluro-Devonian dolomite which is juxtaposed to the Precambrian.

Yates Petroleum Corporation believes that the best possible location for encountering productive Siluro-Devonian dolomite is at an unorthodox location of 2,300 feet FSL & 300 feet FEL in 20-10S-26E. This unorthodox location is situated on a closed structure bounded by faults on the southeast and southwest sides with the southwest fault possibly acting as a seal for hydrocarbons in the Siluro-Devonian dolomite.



Siluro-Devonian Time Map



No Siluro-Devonian



		
EUREKA PROPOSED LOCATION T-10S R-26E Sec. 20 Chaves Co., New Mexico		
Author: RICHARD CONLEY	Scale: 1" = 500'	Date: 26 June, 2008
ne	C.I. = 1 ms	File: Eureka Proposed Loc.dsf