

ABOVE THIS LINE FOR DIVISION USE ONLY

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



**ADMINISTRATIVE APPLICATION COVERSHEET**

THIS COVERSHEET 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]

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 OIL CONSERVATION DIV

- [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
- [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] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Certification

I hereby certify that I, or personnel under my supervision, have reviewed the applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common.

*I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.*

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM F. CARR      William F. Carr      ATTORNEY      5-22-01  
 Print or Type Name      Signature      Title      Date  
wcarr@westofpecos.com  
 e-mail Address

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AND  
CAMPBELL & CARR  
ATTORNEYS AT LAW

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May 22, 2001

**HAND-DELIVERED**

Lori Wrotenbery, 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 Koala "AXZ" State Well No. 1, to be located 990 feet from the North line and 330 feet from the East line of Section 19, Township 12 South, Range 34 East, N.M.P.M., Lea County, New Mexico.*

Dear Ms. Wrotenbery:

Pursuant to the provisions of Division Rule 104 F adopted on August 12, 1999, Yates Petroleum Corporation hereby seeks administrative approval of an unorthodox well location in the Morrow and Atoka formations for its Koala "AXZ" State Well No. 1 to be drilled 990 feet from the North line and 330 feet from the East line of Section 19, Township 12 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This well will be drilled as a wildcat well to a depth of approximately 13,700 feet to test all formations from the surface through the Devonian formation. The location is standard in the Devonian formation and the well will be on a standard 40-acre Devonian spacing and proration unit comprised of the NE/4 NE/4 of Section 19. If the Devonian is non-productive, the secondary targets for the well are the Morrow and Atoka sands where the E/2 of Section 19 will be dedicated to the well.

Application of Yates Petroleum Corporation  
May 22, 2001  
Page 2

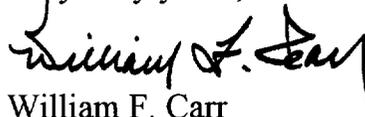
This proposed unorthodox well location is unorthodox in the Morrow and Atoka formations because it is 330 feet from the East line of the section instead of 660 feet as required by the general rules of the Division.

This unorthodox location is necessary because of a north-south trending fault located on the eastern side of Section 19. Figure 1, attached to this application, is a structure map on the Devonian formation which shows the faults and general structure in the area. Although a Devonian map, the data is also applicable to the overlying Morrow and Atoka formations. It shows a standard location 660 feet from the East line of Section 19 would fall directly on top of the this fault zone. The primary reason for not drilling immediately adjacent to the fault is that, even with 3-D seismic data, the exact location of the fault zone at 13,700 feet may only be determined to within several hundred feet. A second reason for not drilling adjacent to the fault zone is that porosity is usually destroyed immediately adjacent to a compressional fault system. As shown on Figure 2, moving the well into offsetting Section 20 at a standard location 660 feet from the West line of that section, would result in the loss of approximately 90 feet of structural elevation. An unorthodox well location 990 feet from the North line and 330 feet from the East line of Section 19 which retains structural elevation is the best location for a successful well which will drain the reserves from these formations.

Attached hereto as Figure 3 is a plat showing the subject area and the proposed unorthodox well location. The acreage shaded yellow is operated by Yates Petroleum Corporation. The well is located on State of New Mexico acreage with Common Schools as the beneficiary institutions of these leases. The correlative rights of no interest owner will be adversely impacted by a well at this proposed unorthodox location for a well at the proposed unorthodox location in the Morrow and Atoka formations only encroaches on acreage with common working interest, royalty and overriding royalty interest ownership. Accordingly, there are no affected persons as defined in Rule 1207.A to whom notice of this application should be provided.

Your attention to this application is appreciated.

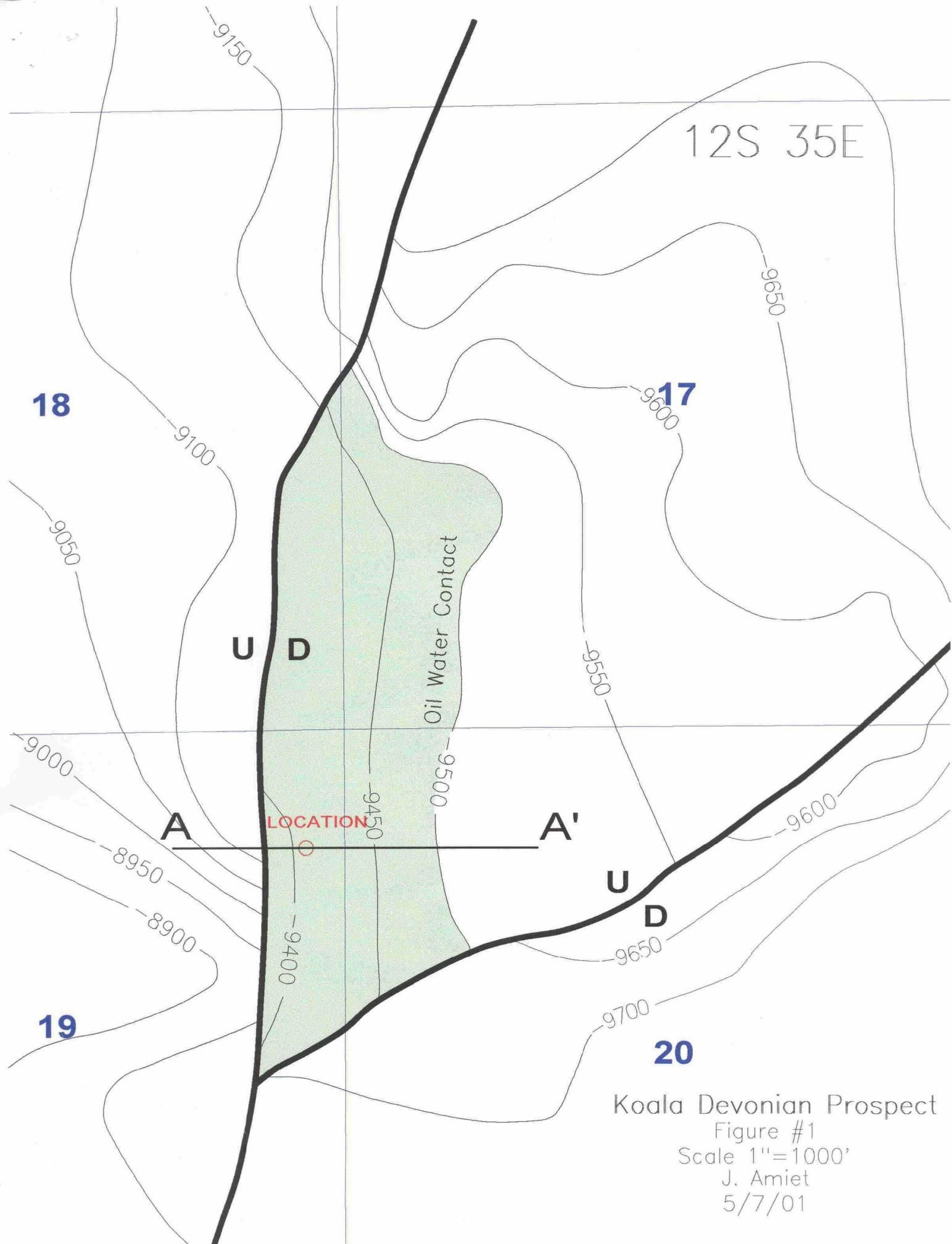
Very truly yours,



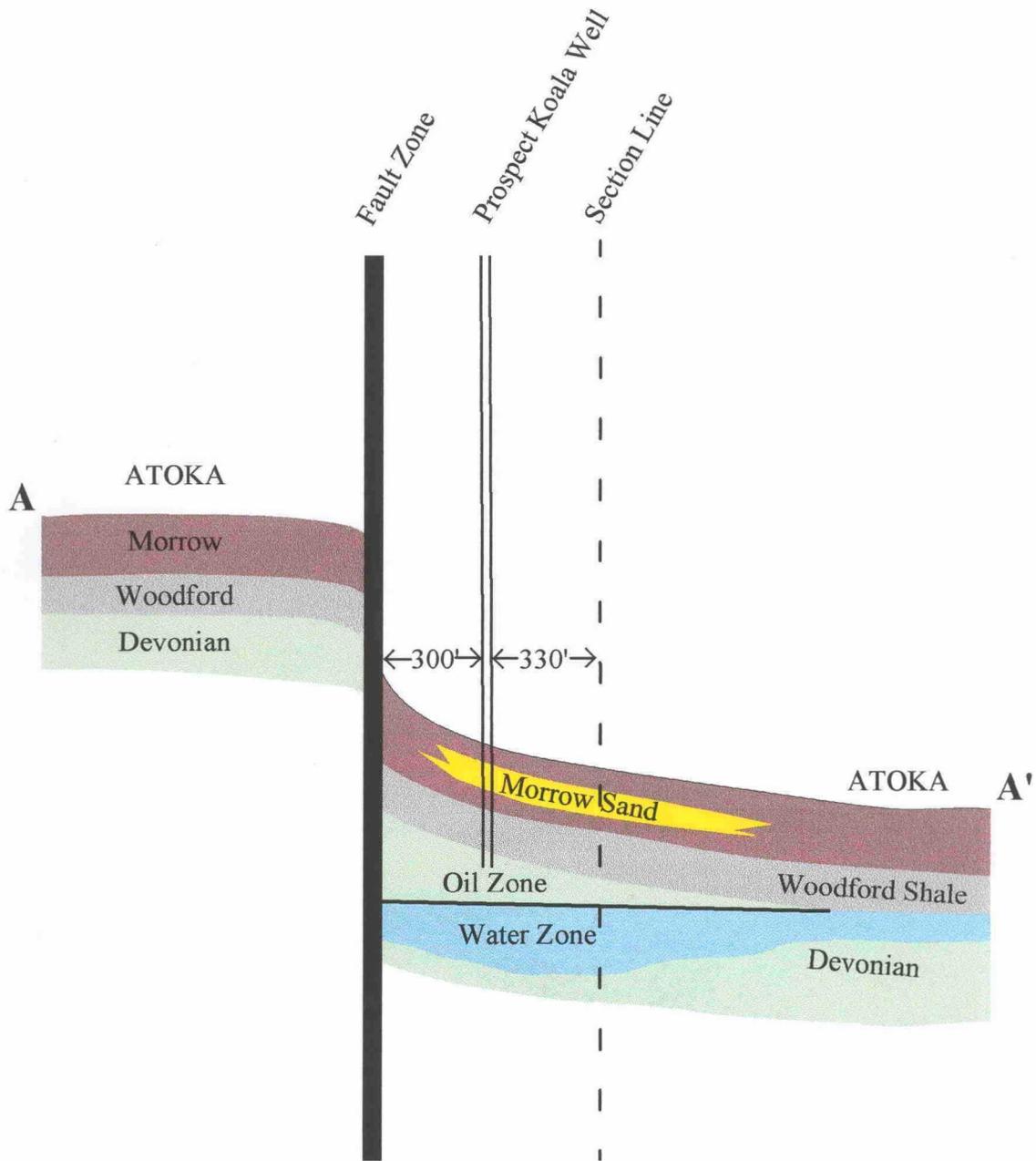
William F. Carr

Attorney for Yates Petroleum Corporation

Enclosures



Koala Devonian Prospect  
 Figure #1  
 Scale 1"=1000'  
 J. Amiet  
 5/7/01



**Koala Devonian Prospect**  
**Figure #2**  
**3X Vertical Exaggeration**  
**Horizontal Scale 1"=500'**  
**J. Amiet**  
**5/7/01**



CMD : ONGARD 07/03/01 14:32:41  
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPL2

OGRID Idn : 25575 API Well No: 30 25 35410 APD Status(A/C/P): A  
Opr Name, Addr: YATES PETROLEUM CORPORATION Aprvl/Cncl Date : 02-14-2001  
105 S 4TH ST  
ARTESIA,NM 88210

Prop Idn: 27464 KOALA AXZ STATE Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
Surface Locn : A	19	12S	35E				FTG 990 F N	FTG 330 F E
OCD U/L : A			API County :	25				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): O Cable/Rotary (C/R) : F  
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 4114

State Lease No: Multiple Comp (S/M/C) : S  
Prpsd Depth : 13850 Prpsd Frmtn : DEVONIAN

E0009: Enter data to modify record

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PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

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ONGARD  
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OGOMES -TPL  
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2 36.75 CS V06023 0000 YATES PETROLEUM C 11/01/05	F 40.00 CS V06023 0000 YATES PETROLEUM C 11/01/05	G 40.00 CS V06023 0000 YATES PETROLEUM C 11/01/05	H 40.00 CS V06023 0000 YATES PETROLEUM 11/01/05

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E 40.00 CS VA2261 0000 YATES PETROLEUM C 11/01/05	F 40.00 CS VA2261 0000 YATES PETROLEUM C 11/01/05	G 40.00 CS VA2261 0000 YATES PETROLEUM C 11/01/05	H 40.00 CS VA2261 0000 YATES PETROLEUM C 11/01/05

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M 40.00 CS VA2240 0000 YATES PETROLEUM C 11/01/05	N 40.00 CS VA2240 0000 YATES PETROLEUM C 11/01/05	O 40.00 CS VA2240 0000 YATES PETROLEUM C 11/01/05	P 40.00 CS VA2240 0000 YATES PETROLEUM C 11/01/05

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