

MESD-213453836

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

March 15, 2002

Mr. Michael Stogner
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87508

CERTIFIED MAIL
Return Receipt Requested

RE: Non-Standard Location
Pathfinder AFT St. #9
Township 10 South, Range 27 East
Section 21: 660' FSL & 2200' FWL
Chaves County, New Mexico

*Received
March 18, 2002
M.S.*

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for a non-standard location for a Wolfcamp gas well location, the Pathfinder AFT St. #9. The well is located on state of New Mexico oil and gas lease LG-5246 which covers all of Section 21, Township 10 South, Range 27 East.

Yates permitted the initial well August 20, 1990 as a 6600' Fusselman test and the well was completed October 13, 1990 in the Fusselman formation and produced according to the Diablo Fusselman Associated Pool Rules.

On June 2, 1997 Yates made application with the NMOCD to re-complete and directionally drill the Pathfinder AFT St. #9 utilizing the existing wellbore and that application was approved by administrative Order DD-179 (H) dated July 3, 1997. This re-completion was successful in the Fusselman formation and produced according to the Diablo-Fusselman Associated Pool Rules

On February 22, 2002 a C-101 was filed with the OCD to re-complete the Pathfinder AFT St. #9 in the Wolfcamp formation and return the well to production. This re-completion attempt was successful and this well is now subject to the Diablo Wolfcamp Gas Pool Rules which require 320 acre spacing and a 660' set back from the outer boundary of the quarter section. The location of 2200' FWL does not comply with these rules and therefore makes this location non-standard. There is, however, no encroachment involved as the Yates companies own 100% of the working interest in the Wolfcamp formation in Section 21. There are no overriding royalty owners on the Yates working interests and therefore no notification has been given in this application. Yates hereby requests administrative approval to produce this well in the Wolfcamp formation only.

Please find enclosed a land plat, C-101 and C-102 and administrative application checklist. If I can provide additional information please call me at 505-748-4351.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Robert Bullock
Landman

RB:bn
enclosure(s)

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO
---------	----------	----------	-----------	------	--------

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 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

[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.

Robert Bullock Robert Bullock LANDMAN 3-15-02
 Print or Type Name Signature Title Date

 e-mail Address

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, NM 88210		² OGRID Number 025575
³ Property Code 012626	⁵ Property Name Pathfinder AFT State	³ API Number 30-005-62795
		⁶ Well No. #9

⁷ 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	21	10S	27E		660	South	2200	West	Chaves

⁸ Proposed 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

⁹ Proposed Pool 1

Diablo Wolfcamp Gas

¹⁰ Proposed Pool 2

¹¹ Work Type Code P	¹² Well Type Code G	¹³ Cable/Rotary N/A	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3822' GR
¹⁶ Multiple N/A	¹⁷ Proposed Depth PBTD - 5920'	¹⁸ Formation Wolfcamp	¹⁹ Contractor Unknown	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
14-3/4"	10-3/4"	40.5#	997'	In place	Circulated
9-1/2"	7-5/8"	29.7# & 26.4#	6410'	In place	Circulated

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Propose to recomplete well to the Wolfcamp zone as follows:
Clean out hole to 5930'. Set CIBP at 5930', capped with 10' of cement.
Perforate Wolfcamp 5708-5902'. Stimulate as needed for production.
Return well to production.
BOP Program: A 3000# BOP will be installed and tested daily.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Susan Herpin</i>	OIL CONSERVATION DIVISION	
	Approved by:	
Printed name: Susan Herpin	Title:	
Title: Engineering Technician	Approval Date:	Expiration Date:
Date: <i>February 22, 2002</i>	Phone: 505-748-1471	Conditions of Approval: Attached <input type="checkbox"/>

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, 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

Form C-102
Revised August 15, 2000

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-005-62795		² Pool Code		³ Pool Name Diablo Wolfcamp Gas	
⁴ Property Code 012626		⁵ Property Name Pathfinder AFT State			⁶ Well Number #9
⁷ OGRID No. 025575		⁸ Operator Name Yates Petroleum Corporation			⁹ Elevation 3822' GR

¹⁰ 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	21	10S	27E		660	South	2200	West	Chaves

¹¹ 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

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

<p>¹⁶</p> <div style="border: 2px solid black; padding: 10px; margin: 10px auto; width: 80%;"> <p style="text-align: center;">LG-5246</p> </div>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: center;"><i>Susan Herpin</i></p> <p>Signature</p> <p>Susan Herpin</p> <p>Printed Name</p> <p>Engineering Technician</p> <p>Title</p> <p>February 21, 2002</p> <p>Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><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></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>See Original Plat</p> <p>Certificate Number</p>



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

July 3, 1997

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Eric Cummins

Administrative Order DD-179(H)
High Angle/Horizontal

Dear Mr. Cummins:

Reference is made to your application dated June 2, 1997 for authorization to initiate a high angle/horizontal directionally drilling project in the Diablo-Fusselman Pool within a portion of a single State lease (LG-5426) operated by Yates Petroleum Corporation ("Yates") comprising the S/2 of Section 21, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

The Division Director Finds That:

- (1) The application by Yates has been duly filed under the provisions of Rule 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 Diablo-Fusselman Pool currently comprises all of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico and is subject to "*General Rules and Regulations for the Associated Oil and Gas Pools in Northwest and Southeast New Mexico/Special Rules and Regulations For The Diablo-Fusselman Associated Pool*", as promulgated by Division Order Nos. R-9131-A/R-5353-K, issued in Case 9854 and dated August 3, 1990, as amended by Division Order No. R-9131-B, dated February 5, 1991, and R-9131-C/R-5353-K-1, dated April 15, 1992, which includes provisions for:
 - (i) 80-acre oil spacing and proration units;
 - (ii) 160-acre gas spacing and proration units;

(iii) well location requirements whereby each well, oil or gas, shall be no closer than 330 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary;

(iv) an oil allowable of 222 barrels of oil per day for an 80-acre oil spacing and proration unit and a limiting gas-oil ratio ("GOR") of 6,500 cubic feet of gas per barrel of oil which results in a casinghead allowable of 1,443 MCF per day; and,

(v) maximum daily production allowed for a standard 160-acre gas spacing and proration unit pursuant the Associated Pool rules is 2,886 MCF;

- (3) It is our understanding that Yates intends to apply horizontal drainhole technology to the Fusselman formation as a way to delay or alleviate water coning;
- (4) The "project area" proposed by Yates would consist of an area comprising 320 acres within a single State lease (LG-5426) comprising the S/2 of said Section 21;
- (5) Within this project area Yates seeks:
 - a) the ability to traverse quarter section and quarter-quarter section lines within the project area in order to combine oil or gas spacing and proration units to accommodate such wellbores;
 - b) drill the proposed horizontal wellbores to within 330 feet of the outer boundary of the project area; and,
 - c) the assignment of an allowable for a horizontally drilled well based upon the number of standard 160 or 80-acre proration units, whichever is

applicable that are developed or traversed by a horizontal wellbore;

- (6) Within this 320-acre project area Yates currently has four wells that are drilled to and completed in the Diablo-Fusselman Associated Pool;
- a) Pathfinder "AFT" State Well No. 11 (API No. 30-005-62810), located 1650 feet from the South line and 1980 feet from the East line (Unit J);
 - b) Pathfinder "AFT" State Well No. 3 (API No. 30-005-62636), located 1650 feet from the South line and 2310 feet from the West line (Unit K);
 - c) Pathfinder "AFT" State Well No. 9 (API No. 30-005-62795), located 660 feet from the South line and 2200 feet from the West line (Unit N); and,
 - d) Pathfinder "AFT" State Well No. 10 (API No. 30-005-62801), located 660 feet from the South line and 2310 feet from the East line (Unit O);
- (7) Initially, it is Yates' intent to utilize the existing wellbore of its above-described Pathfinder "AFT" State Well No. 9 to drill a medium radius horizontal drainhole a lateral distance of approximately to 1,000 feet within the upper portion of the Fusselman formation;
- (8) It appears 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 application of Yates Petroleum Corporation ("Yates") for high angle/horizontal directional drilling within a "project area", in the Diablo-Fusselman Associated Pool within a portion of its Pathfinder "AFT" State lease comprising 320 acres underlying the following described acreage in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM

Section 21: S/2.

(2) Yates is further authorized to proceed with their initial plans to recomplete the existing Pathfinder "AFT" State Well No. 9 (API No. 30-005-62795), located 660 feet from the South line and 2200 feet from the West line (Unit N) of said Section 21 by plugging-back, milling a window in the existing production casing, kick-off from the vertical in a north-northeasterly direction, drill a medium radius curve hole to approximately 90 degrees so as to encounter the upper portion of the Fusselman formation and continue drilling horizontally a distance of approximately 1,000 feet.

PROVIDED HOWEVER THAT any drainhole drilled within said project area may traverse quarter section and quarter-quarter section lines provided that the horizontal or producing portion of any drainhole shall be located no closer than 330 feet from the outer boundary of the above-described "project area".

PROVIDED FURTHER THAT the applicant shall determine the actual location of the kick-off points in each well prior to commencing directional drilling operations. Also, the applicant shall conduct a directional survey on the lateral portion of any horizontal wellbore during or after completion of drilling operations.

(3) 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.

(4) The allowable assigned to the proration units designated to the Diablo-Fusselman Associated Pool within the project area shall be assigned by the supervisor of the Division's Artesia district office and shall be equal to:

- (a) 222 barrels of oil per day times the number of standard 80-acre oil spacing and proration units that are developed/traversed by a horizontal drainhole; or,
- (b) 2,886 MCF per day times the number of standard 160-acre gas spacing and proration units that are developed/traversed by a horizontal drainhole; or,
- (c) The supervisor of the Division's Artesia district office may assign a "project allowable" based on the number of tracts that are

either developed by conventionally drilled wells or traversed by a horizontal drainholes, in which case the operator may then produce the assigned project allowable from the wells within the project area in any proportion.

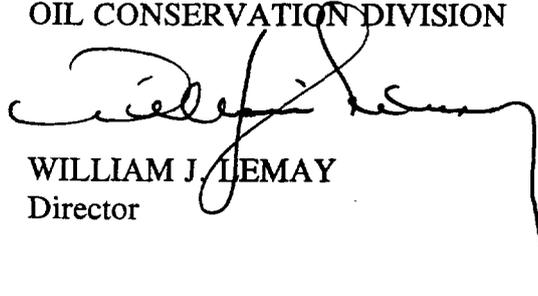
(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F, and Division Order Nos. R-9131-A/R-5353-K, R-9131-B, and R-9131-C/R-5353-K-1.

(6) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).

(7) 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. GEMAY
Director

S E A L

cc: Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe

Stogner, Michael

From: Arrant, Bryan
Sent: Friday, May 10, 2002 10:10 AM
To: Stogner, Michael
Subject: Verbal Approval of NSLs

Mike,
I'm getting from operators noted on C-104s that say: 'Verbal approval received from Stogner with Santa Fe OCD for NSL'. One of note is the Yates Pet. Pathfinder "AFT" State #9, located in Sec. 21 of T-10S-27E in Chaves County. I went ahead and signed off on their testing allowable on this well back on April 4th, however I haven't signed off on their final C-104 until I get from you the 'actual' NSL approval. What I need from you is whenever you give a verbal approval, I need to be aware of this so I know what going on.
I don't want to see the possibility of operators using this to produce a well and it not really happen.
Thanks, Bryan

2

CMD : ONGARD
 OGSSECT INQUIRE LAND BY SECTION
 Sec : 21 Twp : 10S Rng : 27E Section Type : NORMAL
 05/14/02 13:42:57
 ODOMES -TQJR
 PAGE NO: 1

D	C	B	A
40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88	40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88	40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88 A	40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88 A
E 40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88	F 40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88 A A A	G 40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88 A A A A	H 40.00 TWR LG5246 0000 YATES PETROLEUM C 04/01/88 A A A A

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

CMD :
OG6IWCM INQUIRE WELL COMPLETIONS

ONGARD
05/14/02 13:45:24
OGOMES -TQJR

API Well No : 30 5 62795 Eff Date : 03-04-2002 WC Status : A
Pool Idn : 76053 DIABLO;WOLF CAMP (GAS)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 12626 PATHFINDER APT STATE

Well No : 009
GL Elevation: 3822

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : N 21 10S 27E FTG 660 F S FTG 2200 F W P
Lot Identifier:
Dedicated Acre: 320.00
Lease Type : S
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD : ONGARD
OG6ACRE C102-DEDICATE ACREAGE

05/14/02 13:45:29
OGOMES -TQJR
Page No : 1

API Well No : 30 5 62795 Eff Date : 03-04-2002
Pool Idn : 76053 DIABLO;WOLFCAMP (GAS)
Prop Idn : 12626 PATHFINDER AFT STATE
Spacing Unit : 55984 OCD Order :
Sect/Twp/Rng : 21 10S 27E Acreage : 320.00 Revised C102? (Y/N) :
Dedicated Land:

S	Base U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
I	21	21	10S	27E	40.00	N	ST		
J	21	21	10S	27E	40.00	N	ST		
K	21	21	10S	27E	40.00	N	ST		
L	21	21	10S	27E	40.00	N	ST		
M	21	21	10S	27E	40.00	N	ST		
N	21	21	10S	27E	40.00	N	ST		
O	21	21	10S	27E	40.00	N	ST		
P	21	21	10S	27E	40.00	N	ST		

E0005: Enter data to modify or PF keys to scroll
PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05
PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF