

DATE IN 1/4/00	PURPOSE 1/24/00	ENGINEER MS	LOGGED RW	TYPE NSL
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [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 - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [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
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all 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, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

William F. Carr
 Print or Type Name

Signature

Attorney
 Title

01/03/00
 Date

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& SHERIDAN, P.A.
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January 3, 2000

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Walt Canyon "AMA" Federal Well No. 3, to be located 1115 feet from the North line and 810 feet from the West line of Section 3, Township 22 South, Range 24 East, N.M.P.M., Eddy 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 for its Walt Canyon "AMA" Federal Well No. 3 at a point 1115 feet from the North line and 810 feet from the West line of Section 3, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a depth to sufficient test all formations from the surface to through the Pennsylvanian system. The principal objective in the well is the Cisco-Canyon (Upper Penn) Dolomite. A standard 320-acre spacing and proration unit comprised of the N/2 of Section 3 will be dedicated to the well in the Cisco-Canyon (Upper Penn) formation.

The well will be completed the Indian Basin-Upper Pennsylvanian Associated Pool which is governed by Special Rules and Regulations adopted by Division Order Nos. R-9922 which

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
January 3, 2000
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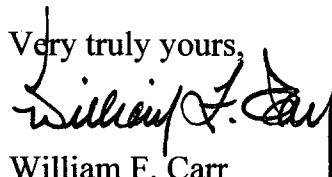
provide for oil and gas wells to be located on standard spacing units containing 320-acres [Rule 2(a)] with wells to be located no closer than 660 feet to from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary [Rule 2(b)].

This proposed well location is unorthodox in the Indian Basin-Upper Pennsylvanian Associated Pool because it is only 205 feet from a quarter-quarter section line in the dedicated spacing unit in the Indian Basin-Upper Pennsylvanian Associated Pool. This unorthodox location is required by topographical conditions. It was originally proposed at a standard location in the NW/4 of Section 3 but because of the rugged topography in the area the Bureau of Land Management requested that Yates move the well to the proposed unorthodox well location. A well at this unorthodox well location should result in the well being able to efficiently produce the reserves in this reservoir under the N/2 of said Section 3. A topographic map of the Walt Canyon Area is enclosed as Exhibit A to this administrative application.

Attached hereto as Exhibits B is a plat showing the subject spacing unit, the proposed unorthodox well location and adjoining spacing units and wells. Since the well is only encroaching on an interior quarter-quarter section line, the correlative rights of no interest owner will be adversely impacted by a well at this proposed unorthodox location. Accordingly, there are no affected persons as defined in Rule 1207.A to whom notice of this application should be provided.

A geological explanation for this unorthodox well location is attached as Exhibit C.

Your attention to this application is appreciated.

Very truly yours,


William F. Carr
Attorney for Yates Petroleum Corporation

WFC/md
Enclosures

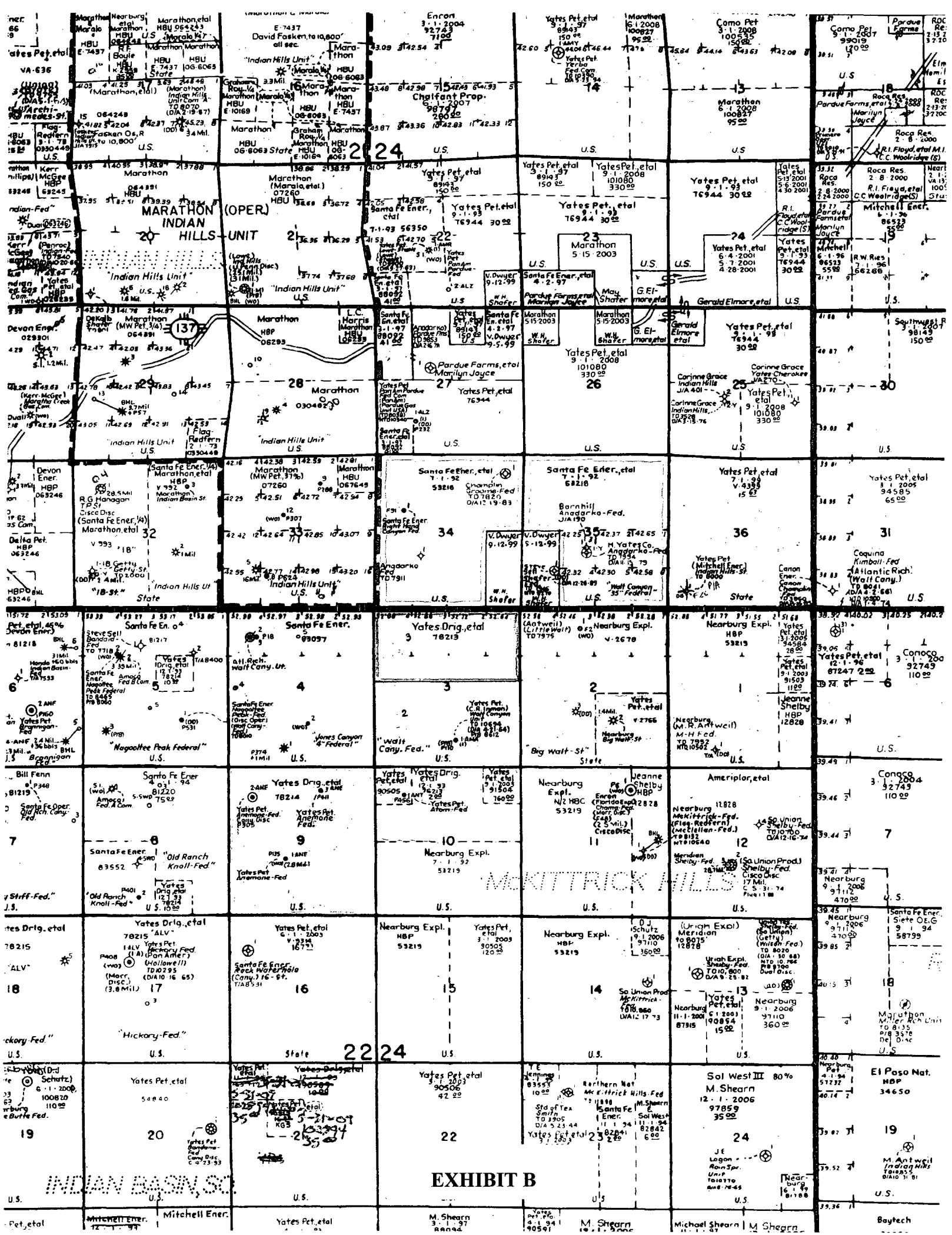


EXHIBIT B

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



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GEOLOGICAL EXPLANATION OF THE WALT CANYON "AMA" FEDERAL #2 AND #3

The Walt Canyon "AMA" Federal #2 is proposed at an unorthodox location 1450' FSL and 790' FWL in section 3 of Township 22 South - Range 24 East. The Walt Canyon "AMA" Federal #3 is proposed at an unorthodox location 1115' FNL and 810' FWL in section 3 of Township 22 South - Range 24 East. The locations were placed in unorthodox locations because of topographical reasons.

~~The primary objective is the Cisco-Canyon (Upper Penn) Dolomite with the Morrow Formation being secondary. Other potential objectives are the Atoka, Strawn, and Wolfcamp.~~

The topographic map shows the local area around the Walt Canyon locations. The contour interval is 20 feet. The Walt Canyon "AMA" Federal #2 was originally spotted at an orthodox location in the SW/4 of section 3 and the #3 was located at an orthodox location in the NW/4. Because of the rugged topography in the area, the Bureau of Land Management requested Yates move the wells to the current unorthodox locations. Geology was not a concern, because a location anywhere in the W/2 of section 3 was acceptable. Yates is not encroaching on the outer boundaries of the proration units, only on the interior quarter-quarter boundaries.