

DATE IN 5/3/06	SUSPENSE 5-23-06	ENGINEER MIKE STOGNER	LOGGED IN 5/3/06	TYPE NSL	APP NO. P-TDS0612359976
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ABOVE THIS LINE FOR DIVISION USE ONLY

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



Vates

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 _____

2006 MAY 3 PM 3 23

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

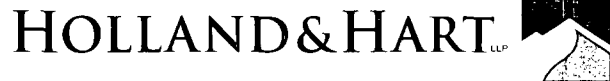
- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public 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.

Ocean Munds-Dry Ocean Munds-Dry A. Horney 5-3-06
 Print or Type Name Signature Title Date
omundsdry@hollandhart.com
 e-mail Address



May 3, 2006

HAND-DELIVERED

Mark E. Fesmire, P.E.
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 a Non-Standard Well Location for its Ike State Unit Well No. 1 located 1750 feet from the South line and 990 feet from the West line of Section 30, Township 12 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, and Rule 2 of the Special Rules and Regulations for the Ranger Lake-Pennsylvanian Pool, adopted on August 30, 1960, by Order No. R-1418-C, Yates Petroleum Corporation ("Yates") hereby seeks administrative approval of a non-standard well location for its Ike State Unit Well No. 1 located 1750 feet from the North line and 900 feet from the West line of Section 30, Township 12 South, Range 35 East, N.M.P.M., Lea County, New Mexico. The S/2 NW/4 of Section 30 will be dedicated to the well.

This location is unorthodox because it is governed by Rule 2 of the Special Rules and Regulations for the Ranger Lake-Pennsylvanian Pool which provides for wells on 80-acre spacing units to be located within 150 feet of the center of a governmental quarter-quarter section or lot. The location is therefore outside the 150 foot radius standard location circle.

The well was originally proposed and drilled at a standard location for the Mississippian formation. Yates was unable to make a commercial well in the Mississippian formation. However, the well was completed as an oil well in the Ranger Lake-Upper Pennsylvanian Pool.

Attached hereto is **Exhibit A** showing the Oil Conservation Division C-102 filed for the well showing the surveyed location. Also included with Exhibit A is the original Application for Permit to Drill and C-102 for the Ike State Unit Well No. 1, for your information.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☐

HOLLAND & HART^{LLP}



Attached hereto as **Exhibit B** is a plat as required by Rule 104.F (3) showing the subject spacing unit, the proposed non-standard well location, the offsetting wells and the diagonal and adjoining spacing units.

Exhibit C is Division Form C-105 showing the recompletion information for this well.

Ownership is common in the adjoining spacing unit in the N/2 NW/4 of Section 30. Although Yates is the operator, ownership is not common in the adjoining spacing unit to the west of the proposed spacing unit. On the date this application was filed, notice was provided to Murchison Oil & Gas, Inc., an affected party as defined by Division Rule 1210(A)(2)(b), by providing a copy of this application, including the plat attached thereto, by certified mail advising that they have 20 days from the date of the notice letter to file an objection with the Santa Fe Office of the Oil Conservation Division and that, if no objection is received by the Division, the application may be approved.

Your attention to this matter is appreciated.

Sincerely,

Ocean Munds-Dry
Attorney for Yates Petroleum Corporation

Enclosures

cc: Mr. Robert Bullock
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88201

Yates Petroleum Corporation

Attention: Robert Bullock

Administrative Order NSL-_____

Dear Mr. Bullock

Reference is made to your application dated May 36 for an unorthodox well location for Yates Petroleum Corporation's Ike State Unit Well No. 1 in the Ranger Lake-Upper Pennsylvanian Pool. Said well will be located 1750 feet from the North line and 900 feet from the West line of Section 30, Township 12 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

A 80-acre spacing and proration unit in the Upper Penn formation comprising the S/2 NW/4 of said Section 30 is to be dedicated to said well.

This application has been duly filed under the provisions of Rule 104.F of the General Rules of the Oil Conservation Division revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By authority granted me under the provisions of Rule 104.F(2), the above-described unorthodox well location within this 80-acre unit in the Strawn formation is hereby approved.

Sincerely,

Mark E. Fesmire, P.E.
Director

cc: Oil Conservation Division - Hobbs/Artesia



May 3, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Murchison Oil & Gas
1100 Mira Vista Blvd.
Plano, Texas 75093-4698

Re: Application of Yates Petroleum Corporation., for Administrative Approval of a Non-Standard Well Location for its Ike State Unit Well No. 1, 1750 feet from the North line and 900 feet from the West line of Section 30, Township 12 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the Oil Conservation Division on this date by Yates Petroleum Corporation for administrative approval of an unorthodox well location for the Ike State Unit Well No. 1, located 1750 feet from the North line and 900 feet from the West line of Section 30, Township 12 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This well is located within the boundaries of the Ike State Unit which Murchison is a participating working interest owner. However, Division rules require Yates to notify interest owners in adjoining spacing units if ownership is not common.

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 located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Sincerely,


Ocean Munds-Dry
enc.

cc: Mr. Robert Bullock
Yates Petroleum Corporation

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, 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
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

¹ API Number 30-025-37402	² Pool Code 50730	³ Pool Name Ranger Lake; Upper Penn
⁴ Property Code 34974	⁵ Property Name Ike State Unit	
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	
		⁶ Well Number 1
		⁹ Elevation 4126' 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
E	30	12S	35E	E	1750	North	900	West	Lea

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 80	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

<div style="border: 1px solid black; padding: 10px;"> ¹⁶ </div>	<div> ¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature Stormi Davis Printed Name Regulatory Compliance Technician Title and E-mail Address Date 4-18-06 </div> <div> ¹⁸ SURVEYOR CERTIFICATION <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> Date of Survey Signature and Seal of Professional Surveyor: Certificate Number </div>
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EXHIBIT A

WF

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV1220 S. St Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 14002

APPLICATION FOR PERMIT TO DRILL

Operator Name and Address YATES PETROLEUM CORPORATION 105 South Fourth St. Artesia, NM 88210		OGRID Number 25575
		API Number 30-025-37402
Property Code 34974	Property Name IKE STATE UNIT	Well No. 001

Surface Location

UL or Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	30	12S	35E	2	1750	N	900	W	Lea

Proposed Pools

WILDCAT MISSISSIPPIAN

Work Type New Well	Well Type GAS	Cable/Rotary	Lease Type State	Ground Level Elevation 4126
Multiple N	Proposed Depth 12800	Formation Mississippian Age Rocks- Undivided	Contractor	Spud Date 08/03/2005

Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	400	400	0
Int1	12.25	9.625	40	4350	1400	0
Prod	8.75	5.5	17	12800	1650	3850

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Mississippian and intermediate formations. Approximately 400' of surface casing will be set/cement circulated. Intermediate casing will be set @ 4350.00', cement circulated to the surface. If commercial, production casing will be run/cemented; will perforate/stimulate as needed for production. MUD PROGRAM: 0-400' - FW/Spud Mud; 400' - 2158' - FW; 2158' - 4350' Red Bed Mud/Oil; 64350' - 7800' Cut Brine; 7800' - 11750' SGel/Oil; 11750' - TD SGel/Starch/4-6% KCL.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	5000	5000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 08/02/2005

Phone: 505-748-4364

OIL CONSERVATION DIVISION

Electronically Approved By: Paul Kautz

Title: Geologist

Approval Date: 08/02/2005 | Expiration Date: 08/02/2006

Conditions of Approval:
There are conditions. See Attached.

District I

1625 N. French Dr., Hobbs, NM 88240

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District IV1220 S. St Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 14002

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37402	Pool Name WILDCAT MISSISSIPPIAN	Pool Code
Property Code 34974	Property Name IKE STATE UNIT	Well No. 001
OGRID No. 25575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4126

Surface And Bottom Hole Location

UL or Lot E	Section 30	Township 12S	Range 35E	Lot Idn 2	Feet From 1750	N/S Line N	Feet From 900	E/W Line W	County Lea
Dedicated Acres 307.72		Joint or Infill		Consolidation Code		Order No.			

■			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 08/02/2005

SURVEYOR CERTIFICATION

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.

Surveyed By: Herschel Jones

Date of Survey: 07/29/2005

Certificate Number: 3640

Permit Comments**Operator: YATES PETROLEUM CORPORATION , 25575****Well: IKE STATE UNIT #001**

User Name	Comment	Comment Date
DCAFFALL	BOPE PROGRAM: A 5000# BOPE will be installed on the 9 6.25" casing and tested daily.	8/2/2005
DCAFFALL	Sources at YPC have relayed information to me that they believe there will not be enough H2S found from the surface to the Mississippian formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.	8/2/2005
DCAFFALL	Any pit or below-grade tank has been or will be constructed or closed according to NMCOD guidelines with approved general permit on file. The pits will have a synthetic liner with a 12 mil. thickness and a volume of 20,000 bbls.	8/2/2005
DCAFFALL	Sources available have been accessed for the captioned well. The depth to ground water is approximately less than 50' ; the distance from the nearest fresh water well is approximately more than 1000'; The distance from the nearest surface water is approximately 250'.	8/2/2005
DCAFFALL	Information obtained determines the Site Ranking at 10 points. With this ranking score capping and encapsulation of drilling materials will take place at pit closure.	8/2/2005

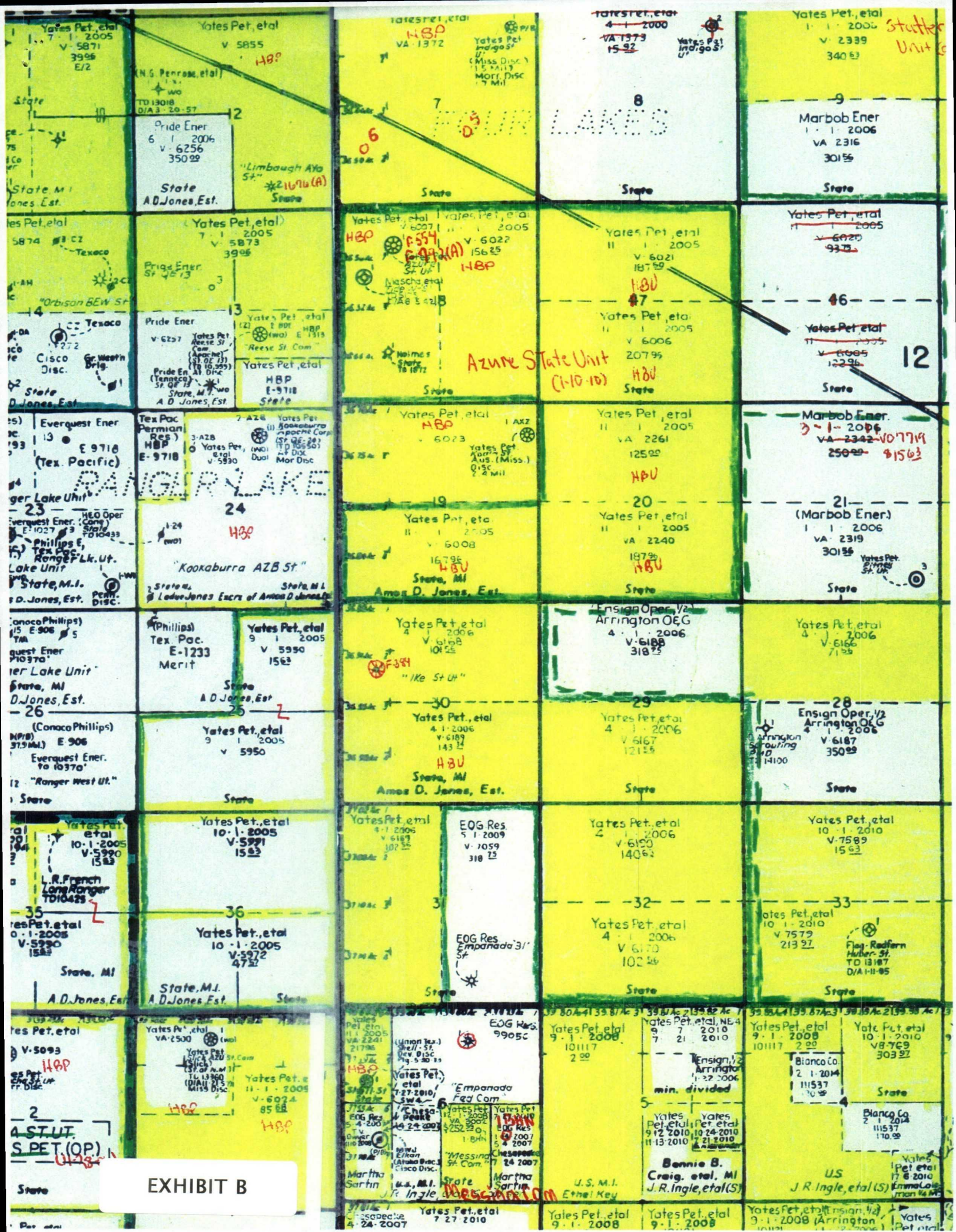
Permit Conditions Of Approval

C-101, Permit 14002

Operator: YATES PETROLEUM CORPORATION , 25575

Well: IKE STATE UNIT #001

OCD Reviewer	Condition
PKAUTZ	prior to any pit construction notify Gary Wink at 505-393-6161 ext 114
PKAUTZ	Re-seeding mixture will must be approved or authorized by surface owner
PKAUTZ	Notice is to be given to the OCD prior to construction of the pit(s)
PKAUTZ	Pit construction and closure must satisfy all requirements of O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines



Submit To Appropriate District Office State Lease - 6 copies Fee Lease - 5 copies District I 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, 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 and Natural Resources Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505	Form C-105 Revised June 10, 2003 WELL API NO. 30-025-37402 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> State Oil & Gas Lease No. VO-6168
WELL COMPLETION OR RECOMPLETION REPORT AND LOG		
1a. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> OTHER <u>RECOMPLETION</u> b. Type of Completion: NEW <input type="checkbox"/> WORK <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG <input checked="" type="checkbox"/> DIFF. <input type="checkbox"/> WELL OVER BACK RESVR.		7. Lease Name or Unit Agreement Name Ike State Unit
2. Name of Operator Yates Petroleum Corporation		8. Well No. 1
3. Address of Operator 105 South Fourth Street, Artesia, NM 88210 (505) 748-1471		9. Pool name or Wildcat Ranger Lake; Upper Penn
4. Well Location Unit Letter <u>E</u> : <u>1750</u> Feet From The <u>North</u> Line and <u>900</u> Feet From The <u>West</u> Line Section <u>30</u> Township <u>12S</u> Range <u>35E</u> NMPM <u>Lea</u> County		
10. Date Spudded 3-30-06 RC	11. Date T.D. Reached 11-12-05	12. Date Compl. (Ready to Prod.) 4-10-06 <u>C</u>
13. Elevations (DF& RKB, RT, GR, etc.) 4126' GR, 4144' KB		14. Elev. Casinghead
15. Total Depth 12886'	16. Plug Back T.D. 11980'	17. If Multiple Compl. How Many Zones?
18. Intervals Drilled By		19. Rotatory Tools N/A
20. Cable Tools N/A		
19. Producing Interval(s), of this completion - Top, Bottom, Name 11310-11322' Strawn		20. Was Directional Survey Made No
21. Type Electric and Other Logs Run		22. Was Well Cored No
23. CASING RECORD (Report all strings set in well)		
CASING SIZE 13-3/8"	WEIGHT LB./FT. 48#	DEPTH SET 427'
9-5/8"	36#, 40#	4366'
7"	26#	12886'
24. LINER RECORD		25. TUBING RECORD
SIZE	TOP	BOTTOM
SACKS CEMENT	SCREEN	SIZE
		2-7/8"
DEPTH SET	PACKER SET	
11273'	11273'	
26. Perforation record (interval, size, and number) 11997-12002' w/30 .42" holes 11310-11322' w/26 .42" holes		27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC. DEPTH INTERVAL 11997-12002' 400 gal 7-1/2% Morrow acid w/40 balls 11310-11322' 100 gal 15% NEFE acid 11310-11322' 1000 gal 15% NEFE acid w/40 balls
28. PRODUCTION		
Date First Production 4-11-06		Production Method (Flowing, gas lift, pumping - Size and type pump) Flowing
Well Status (Prod. or Shut-in) Producing		
Date of Test 4-10-06	Hours Tested 24	Choke Size 3/8"
Prod'n For Test Period	Oil - Bbl 60	Gas - MCF 384
Water - Bbl. 0	Gas - Oil Ratio	
Flow Tubing Press. 100#	Casing Pressure	Calculated 24-Hour Rate
Oil - Bbl. 60	Gas - MCF 384	Water - Bbl. 0
29. Disposition of Gas (Sold, used for fuel, vented, etc.) Sold		Test Witnessed By Noel Gomez
30. List Attachments		
31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief Signature: <u>Stormi Davis</u> Printed Name: <u>Stormi Davis</u> Title: <u>Regulatory Compliance Technician</u> Date: <u>4-17-06</u> E-mail Address: <u>stormid@ypcnm.com</u>		

EXHIBIT C