

DATE IN 9/19/06	SUSPENSE	ENGINEER DAVID BROOKS	LOGGED IN 9/20/06	TYPE NSL	APP NO. TDS0626330433
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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



*Yates -
Van Zandt BUN
Com #1*

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.

Ocean Munds Dry *Ocean Munds Dry* *Attorney* *9-19-06*
 Print or Type Name Signature Title Date
Omundsdry@hollandhart.com
 e-mail Address

2006 SEP 19 AM 11 26

5465

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD

Sent: Tuesday, September 26, 2006 12:14 PM

To: 'Ocean Munds-Dry'

Subject: Yates NSL Application 626330433 - Van Zandt BJN State Com #1

Dear Ocean

Please specifically confirm that the statement on Page 2 of your letter of Sept 19 which reads"

"The ownership is common in the west offsetting spacing unit towards which the proposed well encroaches."

means that the ownership of all working and royalty interests in the Morrow formation is identical in the E/2 of Section 1-10S-32E and the W/2 of that section.

Thanks

David Brooks

9/26/2006



September 19, 2006

HAND DELIVERY

Mr. Mark Fesmire, 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 Van Zant BJN State Com Well No. 1, to be drilled at a surface location 660 feet from the North line and 2180 feet from the East line of Section 1, Township 10 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Yates Petroleum Corporation ("Yates") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4), of an unorthodox well location for its Van Zant BJN State Com Well No. 1 located 660 feet from the North line and 2180 feet from the East line of Section 1, Township 10 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

This proposed location is unorthodox because it is governed by the Division's Statewide Rules which provides for gas wells on 320-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. The proposed unorthodox well location is only 460 feet from the western boundary of the spacing unit. A standard 320-acre spacing unit and proration unit comprised of the E/2 of Section 1 will be dedicated to the well.

The non-standard location is required by topographic and geologic conditions. The geologic target for this well is a north-south trending lower Morrow sand channel. The proposed well cannot be drilled at a standard location because there is a north-south oriented pipeline running approximately 1950 feet from the East line. Since the well location should be at least 200 feet from the pipeline for safety reasons, the closest orthodox location would be 660 feet from the North and 1750 feet from the East line. As shown on the attached net isopach map of an upper Morrow sand channel (**Exhibit A**), a location at 1750 feet from the East line would be on the extreme eastern edge of



the Morrow channel. This upper Morrow sand is the only sand channel which has significant production and lateral extent. Yates' proposed location would be in a thicker part of the channel. The productive Morrow wells are highlighted in purple.

Exhibit B is Cross-Section A-A' and shows these thin Morrow sands in yellow. The Cross-Section also shows how these sands can thicken and thin. A location several hundred feet away can be the difference between a productive well and a dry hole.

Exhibit C is a copy of the C-102 showing the unit boundaries and the proposed unorthodox well location.

The ownership is common in the west offsetting spacing unit towards which the proposed well encroaches. Therefore there are no affected parties to notify of this application as defined in Division Rule 1210.

Approval of this application affords Yates the best opportunity to extend this gas productive channel system to the south, is the most efficient and reasonable way to develop these potential reserves and is in the best interest of conservation, prevention of waste and protection of correlative rights.

Also enclosed is a proposed administrative order prepared by Yates on behalf of the Division.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR YATES PETROLEUM
CORPORATION

Enclosures

cc: John Amiet (w/o attachments)

Yates Petroleum Corporation

Attention: John Amiet

Administrative Order NSL-_____

Dear Mr. Amiet:

Reference is made to your application dated September 19, 2006 for an unorthodox well location for Yates Petroleum Corporation's Van Zant BJN State Com Well No. 1 to be drilled to the Morrow formation. Said well will be located 660 feet from the North line and 2180 feet from the East line of Section 1, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

A 320-acre spacing and proration unit comprising the E/2 of said Section 1 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 320-acre unit in the Morrow formation is hereby approved.

Sincerely,

Mark E. Fesmire, P.E.
Director

cc: Oil Conservation Division - Hobbs/Artesia

DISTRICT I

100 N. French St., Hobbs, NM 88240

DISTRICT II

11 South First, Artesia, NM 88210

DISTRICT III

100 1/2th Avenue Rd., Artesia, NM 87410

DISTRICT IV

100 1/2th Avenue, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1998

Instruction on back

Submit to Appropriate District Office

State Lease - 1 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-38077	Pool Code	Pool Name Wildcat Mississippian
Property Code 35946	Property Name VAN ZANT BJN STATE COM	Well Number 001
OGRIID No. 25575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4241

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	1	10S	32E	B	660	North	2180	East	LEA

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
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Dedicated Acres 319.84	Joint or Infill	Consolidation Code	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

		660'							
					2180'				
						V-6409			
						V-6379			

EXHIBIT C

OPERATOR CERTIFICATION

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

Clifton R. May

Signature

Clifton R. May

Printed Name

Regulatory Agent

Title

September 13, 2006

Date

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.

9/12/2006

Date Surveyed

[Signature]

Signature of Registered Surveyor

HERBERT L. JONES

3640

Professional Surveyor

State of New Mexico

Herbert L. Jones FLS 3640

Professional Surveying Company

Submit 3 Copies To Appropriate District Office
 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 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-103
 March 4, 2004

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-38077
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Yates Petroleum Corporation		6. State Oil & Gas Lease No. V-6409
3. Address of Operator 105 South 4 th Street, Artesia, New Mexico, 88210		7. Lease Name or Unit Agreement Name Van Zant BJN State Com.
4. Well Location Unit Letter <u>B</u> ; <u>660</u> feet from the <u>North</u> line and <u>2180</u> feet from the <u>East</u> line Section <u>1</u> Township <u>10S</u> Range <u>32E</u> NMPM County <u>Lea</u>		8. Well Number <u>1</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) <u>4241' GR</u>		9. OGRID Number <u>25575</u>
Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)		
Pit Location: UL <u>B</u> Sect <u>1</u> Twp <u>10S</u> Rng <u>32E</u> Pit type <u>Drilling</u> Depth to Groundwater <u>more than 150'</u> Distance from nearest fresh water well <u>1000' or more</u> Distance from nearest surface water <u>1000' or more</u> Below-grade Tank Location UL _____ Sect _____ Twp _____ Rng _____; _____ feet from the _____ line and _____ feet from the _____ line		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:
 PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐
 OTHER: Move location footages ☒

SUBSEQUENT REPORT OF:
 REMEDIAL WORK ☐ ALTERING CASING ☐
 COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
 CASING TEST AND CEMENT JOB ☐
 OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Yates Petroleum Corporation wishes to move the location of this well from the present footages of 660' FNL & 1750' FEL to the new footages of 660' FNL & 2180' FEL. This pit will be constructed to meet NMOCD guidelines.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Clifton R. May TITLE Regulatory Agent/Land Department DATE 9/13/2006

Type or print name: Clifton R. May E-mail address: clifton@ypcnm.com Telephone No. (505) 748-4347

(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____

Conditions of approval, if any:

9S 32E

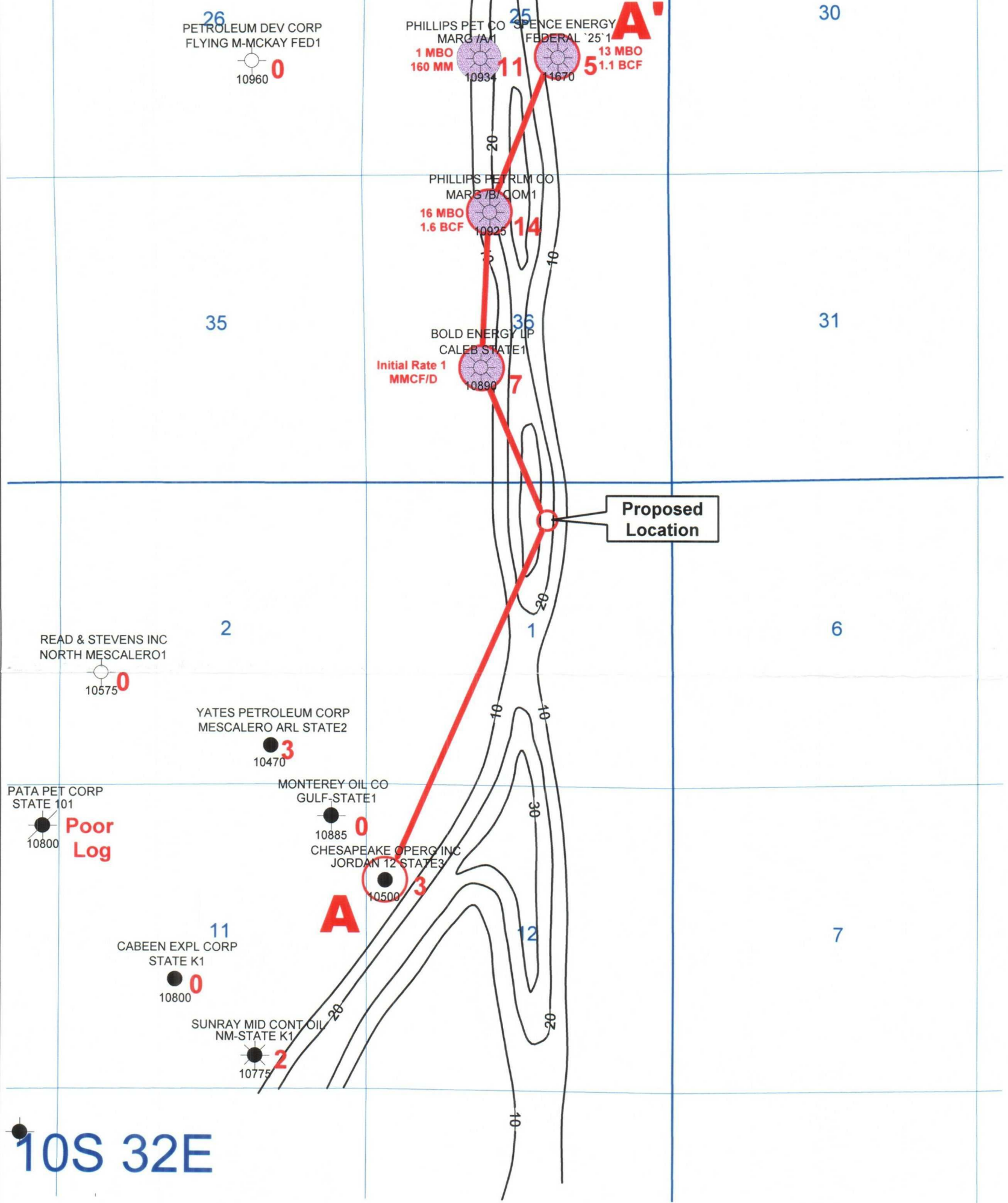


EXHIBIT A



VAN ZANT LOCATION
UPPER MORROW SAND ISOPACH
Wells Deeper Than 10,400'
LEA COUNTY, NM

Author: JOHN AMIET	CI = 10'	Date: 12 September, 2006
ne	Scale: 1" = 2000"	Upper Morrow Net Sand Iso.gmp

- 3 Upper Morrow Net Feet Sand > 6% Porosity
- Upper Morrow Production
- MBO Thousand Barrels of Oil
- MM Million Cubic Feet Gas
- BCF Billion Cubic Feet Gas



DISTRICT I
100 W. Fremont St., Numbia, NM 08340

DISTRICT II
11 North First, Artesia, NM 88210

DISTRICT III
100 Los Brazos Rd., Artes, NM 87410

DISTRICT IV
500 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1958
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Yeo Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

6. ALLEGED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-38077	Pool Code	Pool Name Wildcat Mississippian
Property Code 35946	Property Name VAN ZANT BJN STATE COM	Well Number 001
OGED No. 25575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4241

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
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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
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

Dedicated Acreage	Joint or Infill	Consolidation Code	Order No.
319.84			

**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="position: relative; width: 100%; height: 100%;"> <div style="position: absolute; top: 0; right: 0; width: 50px; height: 50px; border: 1px solid black; transform: rotate(90deg); transform-origin: top right;">660'</div> <div style="position: absolute; top: 50px; left: 50px; width: 100px; border-top: 1px solid black;">2180'</div> </div>				OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <i>Clifton R. May</i> <small>Signature</small> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> Clifton R. May <small>Printed Name</small> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> Regulatory Agent <small>Title</small> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> September 13, 2006 <small>Date</small> </div>
			V-6409	
			V-6379	
				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. <div style="border-bottom: 1px solid black; padding-bottom: 5px; text-align: center;"> 9/12/2006 <small>Date Surveyed</small> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <div style="display: flex; align-items: center;"> <div style="flex: 1;"> <small>Signature of Professional Surveyor</small> </div> <div style="flex: 1; text-align: center;"> </div> </div> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> Certificate No. <i>HER-000001</i> Jones RLS 3640 <small>Professional Surveyor</small> </div>

EXHIBIT C

Form C-103
March 4, 2004

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

30-025-38077

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.
V-6409

7. Lease Name or Unit Agreement Name
Van Zant BJN State Com.

8. Well Number

2. OGRID Number	
-----------------	--

10. Pool name or Wildcat
Wildcat Mississippian

1. Type of Well:

Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

Yates Petroleum Corporation

3. Address of Operator

105 South 4th Street, Artesia, New Mexico, 88210

4. Well Location

Unit Letter B : 660 feet from the North line and 2180 feet from the East line

Section 1

Township 10S

Range 32F

NMPM

County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

4241' GR

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL B Sect 17 Twp 10S Rng 32E Pit type Drilling Depth to Groundwater more than 150' Distance from nearest fresh water well

1000' or more Distance from nearest surface water 1000' or more Below-grade Tank Location UL _____ Sect _____ Twp _____ Rng _____

feet from the _____ line and _____ feet from the _____ line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Move location footages ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

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SIGNATURE [Signature] TITLE Regulatory Agent/Land Department DATE 9/13/2006

Type or print name: Clifton R. May E-mail address: clifton@ypcnm.com Telephone No. (505) 748-4347

(This space for State use)

APPROVED BY	TITLE	DATE
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Conditions of approval, if any: