

DATE IN 2/1/08	SUSPENSE	ENGINEER Brooks	LOGGED IN 2/4/08	TYPE NSL	APP NO. PKVR0803551136
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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 Petroleum Corp.
Waylon State Unit #7

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

2008 FEB 1 PM 3 32 RECEIVED

[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 2-108
 Print or Type Name Signature Title Date

omundsdry@hollandhart.com
 e-mail Address



February 1, 2008

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 an Unorthodox Well Location for its Waylon State Unit Well No. 7 located 660 feet from the North line and 330 feet from the West line of Section 22, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Pursuant to the provisions of Division Rule 104 F (2), Yates Petroleum Corporation ("Yates") hereby seeks administrative approval of an unorthodox well location for its Waylon State Unit Well No. 7 located 660 feet from the North line and 330 feet from the West line of Section 22, Township 11 South, Range 34 East, N.M.P.M., Lea County, New Mexico. The W/2 of Section 22 will be dedicated to the well.

30-025-38753

This location is unorthodox because it is governed by the Division's Statewide Rules and Regulations which provide for wells on 320-acre spacing to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed location is unorthodox because it is only 330 feet from the western boundary of the quarter section on which the well is located. A standard 320-acre spacing and proration unit comprised of the W/2 of Section 22 will be dedicated to the well.

The unorthodox location is required by geologic conditions. As discussed by Mr. Amiet in **Exhibit A**, a standard location would be on the edge of the Morrow sand channel. As shown on the attached Lower Morrow Net Sand Isopach Map (attached as **Exhibit B**), a proposed location would be near the center of the channel. **Exhibit C** is Stratigraphic Cross-Section A-A' and shows these lower Morrow sands in yellow. With thin sands, a location several hundred feet away can be the difference between a good well and a poor well.



Attached hereto as **Exhibit D** is a plat as required by Rule 104.F (3). Section 29 is a part of the Waylon State Unit. Therefore, Yates is also the offsetting operator upon which the well encroaches. Also, working interest ownership is common in each spacing unit. Therefore, there are no affected parties as defined by Rule 1210(A)(2) and no notice is required.

The proposed location is the most efficient and reasonable way to develop these potential reserves and would be in the best interest of conservation and the prevention of waste.

Your attention to this application 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

OCD - Hobbs

Sun- V.M. St. 101000
1-1-2004 V-5441 45 92
State 9
Yates Pet., etal 1-1-2004 VA-1895 15 63
State, MI
Bogle Ltd., (C)

Chesapeake 1-1-2004 VA-1896 46 67
10
1-GG-SWL
(wo) Yates Pet. Cash St. 1013351 D/A 9-3-67

5-ASU
HBP
"Sand Springs St." State
Yates Pet. Sand Spr St. (Miss. Disc.)

V-5303
12
"Twain St." State

Sun- V.M. St. 1010025
9-1-2004 V-5595 27 92
16
Yates Pet. Blitzen Kelly (St. Bogle) 1013340 D/A 7-12-50
Yates Pet. Blitzen Morr. Disc. (1) 1-AUB State, MI Bogle Ltd., (S)

Yates Pet., etal VA-1897
Yates Pet., etal 3-27-2006
Cameron State TD 13250 D/A 1-9-59
"Waylon St. Ut." State Bogle Ltd., (S)

Yates Pet., etal 5-1-2003 V-5305 15 63
Waylon St. Ut. State 14
Yates Pet., etal 5-1-2003 V-5305 15 63
Cameron St. TD 306
State, MI Bogle Ltd., (S)

Yates Pet. V-5304
WAYLON ST. U. YATES PET. (OP)
State 13
Yates Pet., 5-1-2003 V-5304 15 63
State, MI Bogle Ltd., (S)

Yates Pet., etal V-5598
Sash Exp. V-5598
to base
State, MI Bogle Ltd. 21
Yates Pet., etal V-5608
Waylon St. Ut. Morr. Disc.
5-MI State

34
7-1-2004 V-5561 15 63
Waylon State Ut. State MI Bogle Ltd. 22
Yates Pet., etal 7-1-2004 VA-1992 57 93
State

Yates Pet. Meteor BEM St.
Yates Pet. Meteor BEM St. (Shengnash) (Sun. St.) At. Disc.
7-1-2004 V-5562 15 63
FOUR LAKES
23
Yates Pet. Comet St. (Huber) (Gulf St.) TD 12461 (D/A 9-24-54) U Miss. Disc.
Yates Pet., etal VA-1845
Bogle Ltd. State
"Comet St."

Yates Pet., etal 4-1-2001 V-4834 37 96
24
Yates Pet. E. Sand Springs Ut. Morr. Disc.
Bogle L. State

Yates Pet. etal 10-1-2004 V-5629 15 63
Yates Pet. etal 10-1-2004 V-5615 143 96
28
Felmont Felmont-Skelly TD 13455 D/A 4-4-23
"Kris St. Ut." State

Yates Pet. etal 7-1-2004 VA-2003 15 63
27
Yates Pet. etal 7-1-2004 VA-5565 15 63
J.D. Ward State TD 250

Yates Pet. etal 7-1-2004 V-5564 15 63
Yates Pet. etal V-5563
1-AUB
Yates Pet. Yates Pet. Dornier St. Com.
26
WILLIE ST. UT. YATES (OP)
State, MI Bogle Ltd., (S)

Yates Pet. etal V-5490
25
Yates Pet. Willie St. Ut. State, MI Bogle Ltd., (S)

Yates Pet. etal 10-1-2004 V-5630 15 63
Yates Pet. etal 10-1-2004 V-5616 91 96
33
KRIS ST. UT. YATES PET. (OP.)

Yates Pet. etal 10-1-2004 V-5631 15 63
Yates Pet. etal 10-1-2004 V-5617 104 96
Yates Pet. Kris St. Ut. HBP

Pride Ener. E-2013 Mabee Roy. Humble St. TD 10512
SOUTH FOUR LAKES UNIT 35
PRIDE ENER. (OPER.)

Pride Ener. E-596
Yates Pet. V-5491 15 63
Pride Ener. E-677

EXHIBIT D

REQUEST FOR LOCATION EXCEPTION – WAYLON STATE UNIT # 7

Yates Petroleum Corporation is requesting a location exception for the Waylon State Unit # 7 well. The proposed location is 660' FNL and 330' FWL of section 22, T11S R34E. The geologic target for this infill well is a NE-SW trending lower Morrow sand channel. If the location is moved to a legal gas location of 660' FNL and 660' FWL, the well would be on the edge of the sand channel.

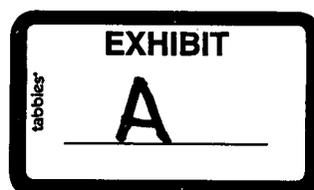
Included with this application is a net sand isopach map of the lower Morrow. This map indicates that a legal location of 660' from the west line of section 22 would be on the edge of the channel. The Waylon # 6 well is located on the eastern edge of the channel in section 21, and has been a disappointing well with a cumulative production of 4 MBO and 75 MMCF of gas. The productive lower Morrow wells are shown in purple. The wells with better cumulative production are the Kris (section 28), the Blitzen (section 16) and the Waylon # 4 (section 15). All these wells are located in the center of the channel. The well with the best production is the Waylon #2, which is a north offset to the proposed location. This well has a cumulative production of 90 MBO and 3 BCF, but this well produces from several zones.

Cross section A – A' shows these thin lower Morrow sands in yellow. With thin sands, a location several hundred feet away can be the difference between a good well and a poor well.

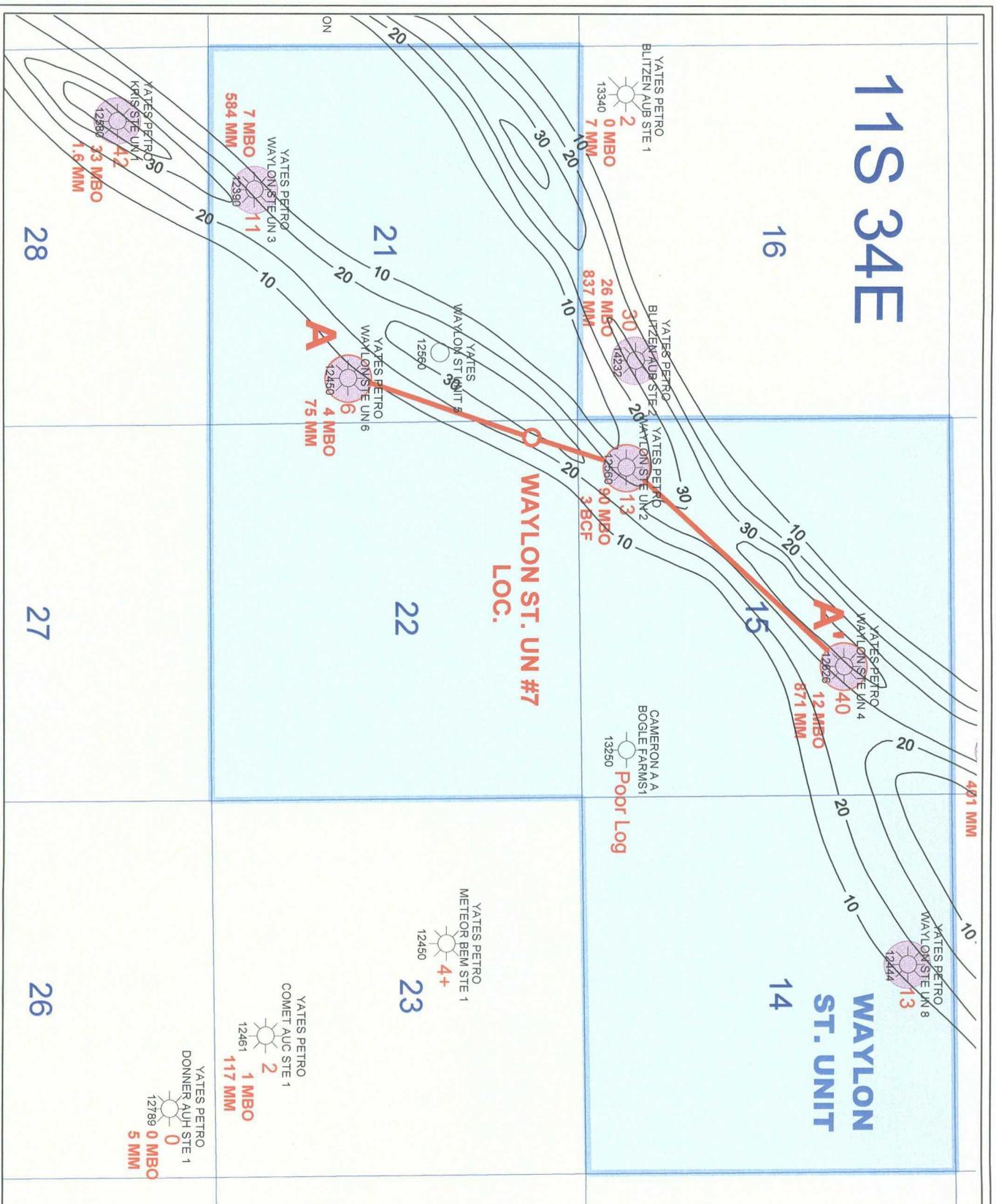
The offsetting section 21 is a part of the Waylon State Unit. Elk Oil (now Slash Exploration) has a 12.5 % interest in the Waylon State Unit, and Yates has the remaining interest. Elk has participated in all the Waylon State Unit wells drilled to date. Slash Exploration has purchased Elk Oil and they have been contacted on the Waylon # 7 proposal. With an expected well cost of \$2,647,800, it is critical that the well be situated in the best location to optimize the chance for success. The Waylon # 7 location is the most efficient and reasonable way to develop these potential reserves, and would be in the best interest of conservation and the prevention of waste for the State of New Mexico, Yates Petroleum, and Slash Exploration. Yates has been very active in this area and has drilled five wells in the Waylon State Unit.



John Amiet 505-748-4312



11S 34E



LOWER MORROW NET SAND ISOPACH

All Wells Shown
LEA COUNTY, NM

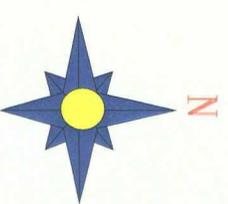
Author:	John Amiet	Date:	18 January, 2007
Scale:	1" = 1,500'	File:	Waylon St Un Loc Espd.rmp

13 Lower Morrow Net Feet Sand
> 6% Porosity

Lower Morrow Production

MBO Thousand Barrels of Oil

MM Million Cubic Feet Gas



EXHIBIT

B

tabbles®

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Monday, March 10, 2008 9:44 AM
To: 'Ocean Munds-Dry'
Subject: Waylon State Unit No. 7

Dear Ocean

You state that ownership is common throughout the Waylon State Unit. I am assuming that the heavy, dashed line on your Exhibit D is the unit boundary. But there are several heavy, dashed lines going in various directions. The proposed location encroaches toward the S/2 Section 16, as well as the N/2 of Section 21.

Is the S/2 Section 16 also in the Waylon State Unit? If not, is WI ownership there identical to that in the Unit?

Thanks

David Brooks
Legal Examiner

3/17/2008

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Tuesday, March 18, 2008 7:39 AM
To: Brooks, David K., EMNRD
Subject: RE: Waylon State Unit No. 7

David: Section 16 is not in the Unit but working interest ownership is identical to that in the Unit.

Thanks,
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Monday, March 10, 2008 10:44 AM
To: Ocean Munds-Dry
Subject: Waylon State Unit No. 7

Dear Ocean

You state that ownership is common throughout the Waylon State Unit. I am assuming that the heavy, dashed line on your Exhibit D is the unit boundary. But there are several heavy, dashed lines going in various directions. The proposed location encroaches toward the S/2 Section 16, as well as the N/2 of Section 21.

Is the S/2 Section 16 also in the Waylon State Unit? If not, is WI ownership there identical to that in the Unit?

Thanks

David Brooks
Legal Examiner

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