

3/18/08 DATE IN	SUSPENSE	BROOKS ENGINEER	3/18/08 LOGGED IN	NSL TYPE	PKV0807843120 APP NO.
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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.
Van Zant BSN State Com
#1

ADMINISTRATIVE APPLICATION CHECKLIST

5465-A

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 3-18-08
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address

RECEIVED
2008 MAR 18 AM 10:07



March 18, 2008

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 to amend Administrative Order NSL-5465 to include the Atoka formation 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.

Dear Mr. Fesmire:

Yates Petroleum Corporation ("Yates") hereby seeks an amendment to Administrative Order NSL-5464 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 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.

This well is currently approved at an unorthodox oil well location for the Morrow formation. A standard 320-acre spacing and proration unit comprised of the SE/4 NW/4 of Section 1 will be dedicated to the well. Yates requests permission to complete the well in the Atoka formation. The same justification for an unorthodox location in the Morrow formation is relevant for the Atoka formation. Attached is Administrative Order NSL-5465 for your reference.

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.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR YATES PETROLEUM
CORPORATION

Enclosures



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 28, 2006

Yates Petroleum Corporation
c/o Ms. Ocean Munds-Dry
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5465

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS-0626330433**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 19, 2006, on behalf of Yates Petroleum Corporation (Yates), and

(b) the Division's records pertinent to this application.

Yates has requested to drill its proposed Van Zandt BJN Com. Well No. 1 at an unorthodox Morrow gas well location, 660 feet from the North line and 2180 feet from the East line (Unit B) of Section 1, Township 10 South, Range 32 East, N.M.P.M., in Lea County, New Mexico. The E/2 of Section 1 will be dedicated to this well in order to form a standard 320-acre wildcat Morrow spacing unit. Wildcat Morrow locations are governed by statewide Rule 104.C(2), which provides for 320-acres units, with wells located at least 660 feet from the outer boundary of a quarter section.

Your application on behalf of Yates has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

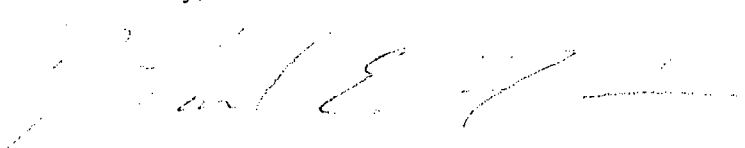
The proposed location is approximately 460 feet east of the western boundary of the NE/4 of Section 1. It is our understanding that the ownership of the W/2 of Section 1 toward which this location encroaches, and the E/2 of Section 1 where the well will be located, are common as to all working and royalty interests, so that there are no "affected persons" who must be notified of this application.

It is also our understanding that Yates is seeking this unorthodox location primarily for geologic reasons, because their analysis indicates that the proposed location will increase the chances of developing economic production.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Morrow gas well location for Yates' proposed Van Zandt BJN Com. Well No. 1 is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

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

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, April 22, 2008 2:51 PM
To: 'Ocean Munds-Dry'
Subject: Yates - Van Zant BJN State Com #1 - NSL application

Dear Ocean

I am ready to write an approval on this, but I would like confirmation for the record on what seems to me an error:

The application says "A standard 320-acre spacing and proration unit comprised of the SE/4 NW/4 of Section 1 will be dedicated to the well." No C-102 was furnished, but other information leads me to believe the well location is in the NW/4 NE/4, now SE/4 NW/4, and the intended spacing unit is the E/2 of Section 1. Please confirm.

Thanks

David

4/22/2008

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Thursday, April 24, 2008 9:31 AM
To: Brooks, David K., EMNRD
Subject: RE: Yates - Van Zant BJN State Com #1 - NSL application

David: You are correct. It should be an E/2 spacing unit. That was a clerical error on my part.

Thanks very much.
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Tuesday, April 22, 2008 3:51 PM
To: Ocean Munds-Dry
Subject: Yates - Van Zant BJN State Com #1 - NSL application

Dear Ocean

I am ready to write an approval on this, but I would like confirmation for the record on what seems to me an error:

The application says "A standard 320-acre spacing and proration unit comprised of the SE/4 NW/4 of Section 1 will be dedicated to the well." No C-102 was furnished, but other information leads me to believe the well location is in the NW/4 NE/4, now SE/4 NW/4, and the intended spacing unit is the E/2 of Section 1. Please confirm.

Thanks

David

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4/24/2008