

DATE IN 12-29-08	SUBPENSE D. Brooks	ENGINEER 12-29-08	LOGGED IN NSL	TYPE D. KAA0836451667
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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


 API  
 Touchdown Fed. #2  
 Yates Petroleum Corp

## 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.

WILMER M BRIGGS      Wilmer M Briggs      Landman      12/29/08  
 Print or Type Name      Signature      Title      Date

e-mail Address

MARTIN YATES, III

1912-1985

FRANK W. YATES

1936-1986

S.P. YATES

1914-2008



2008 DEC 29 PM 1 32

105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118

TELEPHONE (575) 748-1471

JOHN A. YATES  
CHAIRMAN OF THE BOARD  
PRESIDENT

JOHN A. YATES JR.  
ASSISTANT TO THE PRESIDENT

JAMES S. BROWN  
CHIEF OPERATING OFFICER

JOHN D. PERINI  
CHIEF FINANCIAL OFFICER

December 22, 2008

New Mexico Oil Conservation Division  
Engineering Bureau  
1220 South Francis Drive  
Santa Fe, New Mexico 87505

Attention: Mr. Mark Fesmire

Re: Administrative Application of Yates Petroleum Corporation for Approval of  
an Unorthodox Gas Well Location, Chaves County New Mexico

Dear Mr. Fesmire:

Yates Petroleum Corporation in accordance with Division General Rule 104.F applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location for any and all gas production for its proposed Touchdown Federal #2 well to be drilled at an unorthodox gas well location of 370 feet from the North line and 660 feet from the East line (Unit A) of Section 11, Township 12 South, Range 26 East, NMPM, Chaves County, New Mexico and to be dedicated to a N/2 spacing unit for all formations that require a 320 acre spacing unit and the NE/4 for all formations that require a 160 acre spacing unit, and in support states:

- 1) Yates Petroleum Corporation (Yates) is the operator of subject proposed well and is a working interest owner in the N/2 of Section 11, Township 12 South, Range 26 East, NMPM, Chaves County, New Mexico. (See Exhibit A & B enclosed)
- 2) Yates proposes to drill its Touchdown Federal #2 at an unorthodox gas well location of 370 feet from the North line and 660 feet from the East line (Unit A) of Section 11, Township 12 South, Range 26 East, NMPM, Chaves County, New Mexico. (See Exhibit A enclosed)
- 3) The subject well is to be drilled at an unorthodox location because the geology of the area indicates we need to be structurally higher for the Siluro-Devonian dolomite as explained in Exhibit C. Yates Petroleum Corporation believes by positioning the Touchdown BJC Federal #2 at an unorthodox location of 370' FNL & 660' FEL will enable this proposed well to have the best chance of encountering good Siluro-Devonian hydrocarbon production facilitated by intersecting possible fractures that could enhance porosity and permeability. Also enclosed to explain the geology is a Structural Cross Section Datum (Exhibit D) and a Siluro-Devonian Time Map (Exhibit E) provided by our geological department.

KATHY H. PORTER  
SECRETARY

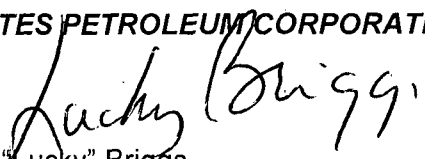
DENNIS G. KINSEY  
TREASURER

- 4) In the event the Siluro-Devonian is not capable of commercial production in this well, then Yates intends to test viable formations up the hole, including the Wolfcamp formation and the Abo formation which will not be unorthodox at this location.
- 5) The lease on which the well will be drilled (in the northeast quarter of Section 11, Township 12 South, Range 26 East, NMPM of Chaves County, New Mexico) ~~encroaches~~
  - a. In the case of completion of a well requiring 320 acre spacing unit (E/2) and in the case of completion of a well requiring 160 acre spacing unit (NE/4) – one (1) Federal lease - NM 106905 .
- 6) The spacing units that will be encroached by placement of the well at 370 feet from the North line and 660 feet from the East line of Section 11 will include:
  - a. In the case of completion of a well requiring 320 acre spacing unit or a well requiring 160 acre spacing unit – the encroachment will occur upon the S/2, E/2 and the SE/4 of Section 2, Township 12 South - Range 26 East which contains State of New Mexico Lease VA-7831 and State Lease VA-7822. Slash Exploration Limited Partnership is Lessee and Operator for both of these leases and is one of the Working Interest Owners under the existing Operating Agreement for the Football Working Interest Unit.
- 7) As required by Rule 19.15.3.104.D.(2)(c), the affected persons are identified in Exhibit B.
- 8) The affected persons have been simultaneously notified of our intent to drill this well in an unorthodox location.

Wherefore, Yates Petroleum Corporation requests that this matter be approved administratively by the Division.

Respectfully submitted,

**YATES PETROLEUM CORPORATION**

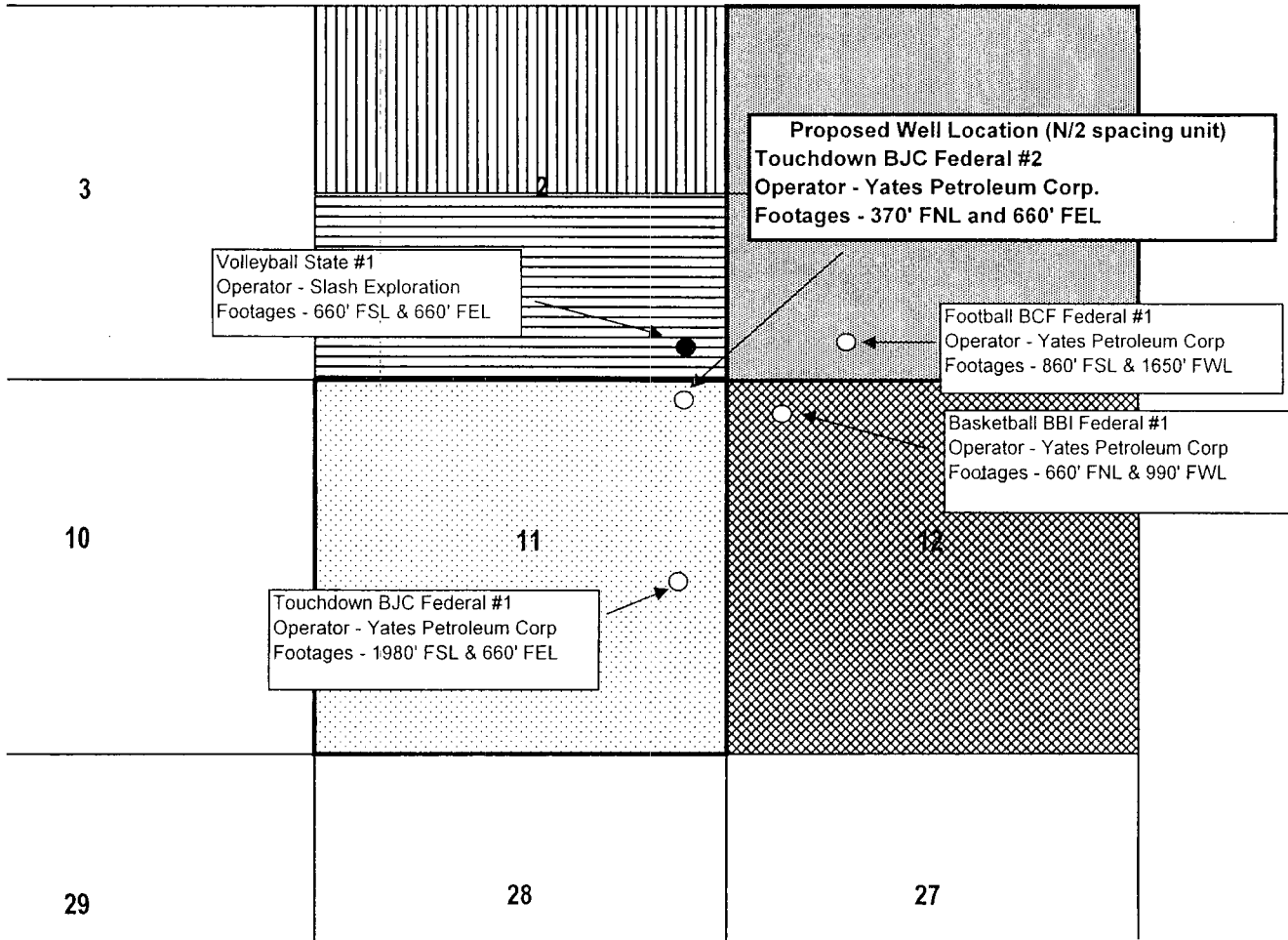
  
W. "Lucky" Briggs  
Associate Landman


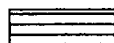
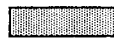


Enclosures

**Exhibit A  
Plat**

**Touchdown BJC Federal #2  
(Township 12S-Range 26E-Section 11)  
Chaves County, NM**

*Handwritten mark*



-  State Lease VA-7822, Lessee - Slash Exploration
-  State Lease VA-7831, Lessee - Slash Exploration
-  Federal Lease NM-106904, Lessee - Yates Petroleum Corporation
-  Federal Lease VA-109421, Lessee - Yates Petroleum Corporation
-  Federal Lease VA-106905, Lessee - Yates Petroleum Corporation

*SW 1/2 1*  
*Land Draw by Gas 9/2/04*  
*W. W. [unclear] - Miss [unclear] 1/2 1*

Exhibit B  
Affected Parties

Touchdown BJC Federal #2  
Township 12 South, Range 26 East, NMPM  
Section 11 - N/2  
Chaves County, NM

Township 12 South, Range 26 East, NMPM

Tract 1 - Section 2: S/2

State Lease VA-7831	Lessee/Operator:	Slash Exploration Limited Partnership	PO Box 1973 Roswell, NM 88202-1973
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Tract 2 - Section 2: E/2

State Lease VA-7831	SE	Lessee/Operator:	Slash Exploration Limited Partnership	PO Box 1973
State Lease VA-7822	NE	Lessee/Operator:	Slash Exploration Limited Partnership	Roswell, NM 88202-1973

Tract 3 - Section 1: E/2 and S/2

Federal Lease NM-106904	Operator:	Yates Petroleum Corporation	
	Working Interest Owners:	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	105 South Fourth Street Artesia, NM 88210-2118
		Slash Exploration Limited Partnership	PO Box 1973 Roswell, NM 88202-1973
		Tumbleweed Oil & Gas, LLC	PO Box 26 Waters, MI 49797
		Elliott Industries Limited Partnership	PO Box 3300 Roswell, NM 88202-3300
		Elliott - Hall Company Limited Partnership	PO Box 1231 Ogden, Ut 84402
		Genesis Limited Partnership	PO Box 1363 Mount Pleasant, SC 29465-1363

Tract 4 - Section 12: E/2 and N/2

Federal Lease NM-109421	Operator:	Yates Petroleum Corporation	105 South Fourth Street Artesia, NM 88210-2118
	Working Interest Owners:	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	105 South Fourth Street Artesia, NM 88210-2118
	Royalty Interest Owner:	Bureau of Land Management	2909 W. 2nd Street Roswell, NM 88201 Attn: Angel Mayes

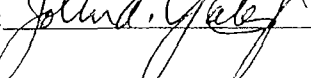
October 14, 2008

We understand that Yates Petroleum Corporation in accordance with Division General Rule 104.F has applied to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location. We approve of this request.


Yates Drilling Company

By:   
Its: \_\_\_\_\_

Abo Petroleum Corporation

By:   
Its: \_\_\_\_\_

Myco Industries, Inc.

By:   
Its: \_\_\_\_\_

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986

S.P. YATES  
1914-2008



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CHIEF OPERATING OFFICER

JOHN D. PERINI  
CHIEF FINANCIAL OFFICER

December 22, 2008

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

To: Slash Exploration Limited Partnership  
Tumbleweed, LLC  
Elliott-Hall Company Limited Partnership  
Elliott Industries Limited Partnerships  
Genesis Limited Partnership  
Address List Attached

RE: Touchdown Federal #2  
Township 12 South, Range 26 East, N.M.P.M.  
Section 11: 370' FNL & 660' FEL  
Chaves County, New Mexico

Dear Working Interest Owners:

Yates Petroleum Corporation continues to work on obtaining approval of the above captioned well. The location has been finalized and is indicated above. As previously noted this will be an unorthodox location and will require special approval from the New Mexico Oil Conservation Division. As required in obtaining the administrative approval, be advised of the location and that it is unorthodox. According to OCD rules you have 20 days from the date the OCD receives the application to file an objection. The objection must be filed in writing. The Director of the OCD may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

Please find enclosed a copy of the packet which was submitted to the OCD. If you have any questions please call me at 575-748-4335.

Thank you,

YATES PETROLEUM CORPORATION

  
W. "Lucky" Briggs  
Associate Landman

WLB/Enclosure(s)

Address List:

Yates Petroleum Corporation (Operator)  
105 South Fourth  
Artesia, NM 88210  
Phone: (575) 748-4335  
Fax: (575) 748-4572

Yates Drilling Company  
Myco Industries, Inc.  
Abo Petroleum Corporation  
105 South Fourth  
Artesia, NM 88210

Slash Exploration Limited Partnership  
PO Box 1973  
Roswell, NM 88202-1973

Tumbleweed, LLC  
PO Box 26  
Waters, MI 49797

Elliott-Hall Company Limited Partnership  
PO Box 1231  
Ogden, UT 84402

Elliott Industries Limited Partnership  
PO Box 3300  
Roswell, NM 88202-3300

Genesis Limited Partnership  
PO Box 1363  
Mount Pleasant, SC 29465-1363

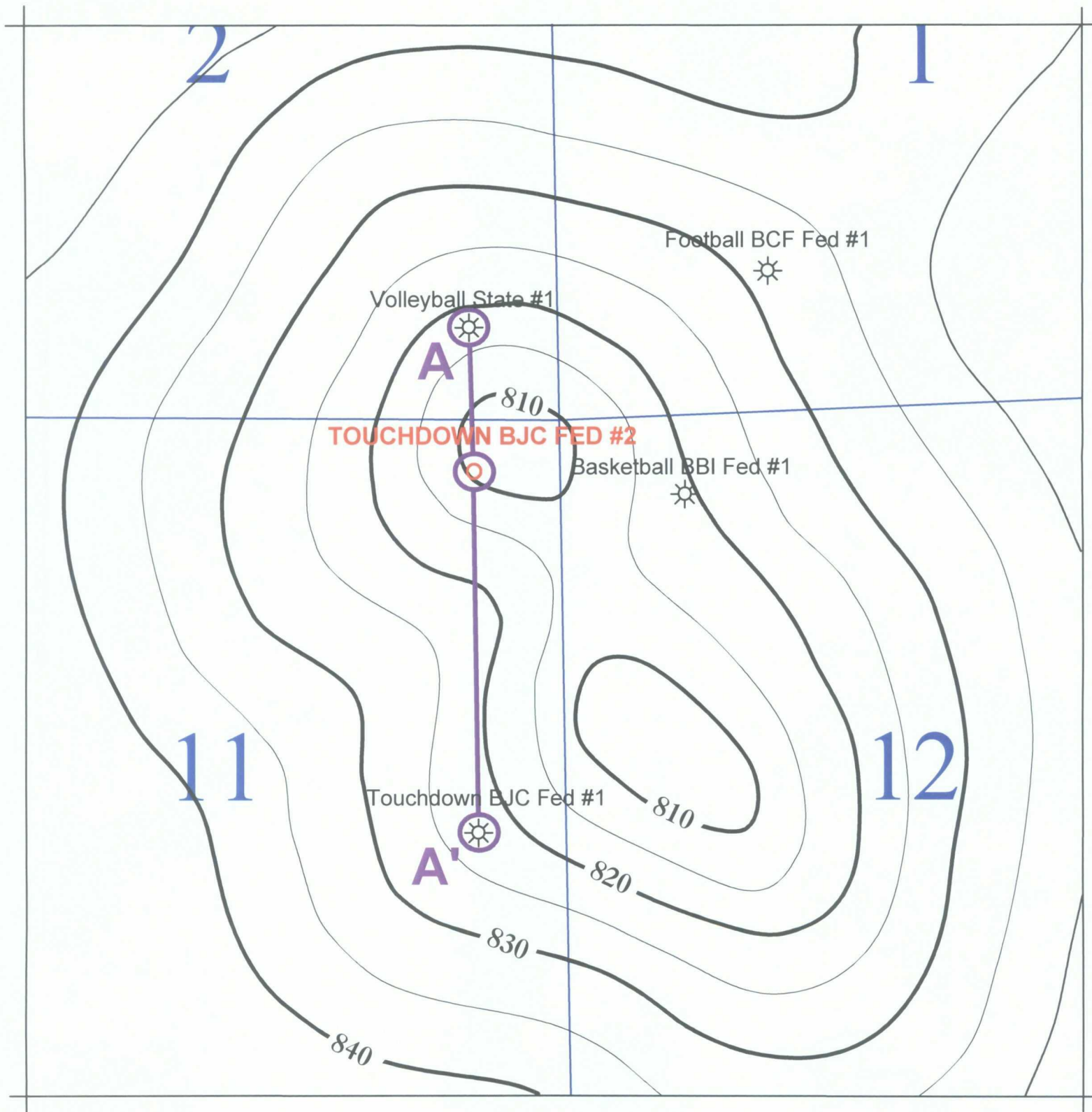
TOUCHDOWN BJC FEDERAL #2  
370 FNL & 660 FEL  
11-12S-26E  
CHAVES COUNTY, NEW MEXICO

Yates Petroleum Corporation proposes an unorthodox location in 11-12S-26E at 370 FNL & 660 FEL for the Touchdown BJC Federal #2. The Touchdown BJC Federal #2 is to be drilled to a total depth of 6,600 feet into the Siluro-Devonian dolomite. This unorthodox location shown on the Siluro-Devonian Time Seismic Structure Map is located in the highest position to encounter hydrocarbon production in the Siluro-Devonian Formation within this northeast quarter of the section.

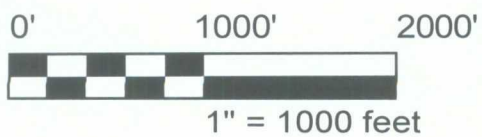
A well proposed on a structural high in the Siluro-Devonian is not only beneficial for good hydrocarbon production, but even furthers the chances of the location to encounter fractures that would enhance porosity and permeability and also enables the proposed well to have less chance of encountering water. The A-A' Cross-Section passes through the Volleyball State #1, proposed location of the Touchdown BJC Fed. #2, and the Touchdown BJC Federal #1. Being structurally high in the Wolfcamp Formation, as seen on this cross section, has proven to be advantageous for good hydrocarbon production in deeper formations such as the Siluro-Devonian. The Volleyball State #1 TD'd in the Wolfcamp at 5400'. On the three exhibits submitted (Cross-Section, Wolfcamp Structure Map and the Siluro-Devonian Seismic Time Structure Map), the Volleyball #1 and Touchdown #1 are structurally lower in both the Wolfcamp and the Siluro-Devonian Formations than the proposed Touchdown #2 location.

The Volleyball State #1 was not drilled deep enough to encounter the Siluro-Devonian and the Touchdown BJC Fed. #1 is structurally low in the Siluro-Devonian as compared to the proposed location of the Touchdown BJC Federal #2. Yates Petroleum Corporation believes by positioning the Touchdown BJC Federal #2 at an unorthodox location of 370 FNL & 660 FEL will enable this proposed well to encounter good Siluro-Devonian hydrocarbon production facilitated by intersecting possible fractures that should enhance the porosity and permeability.





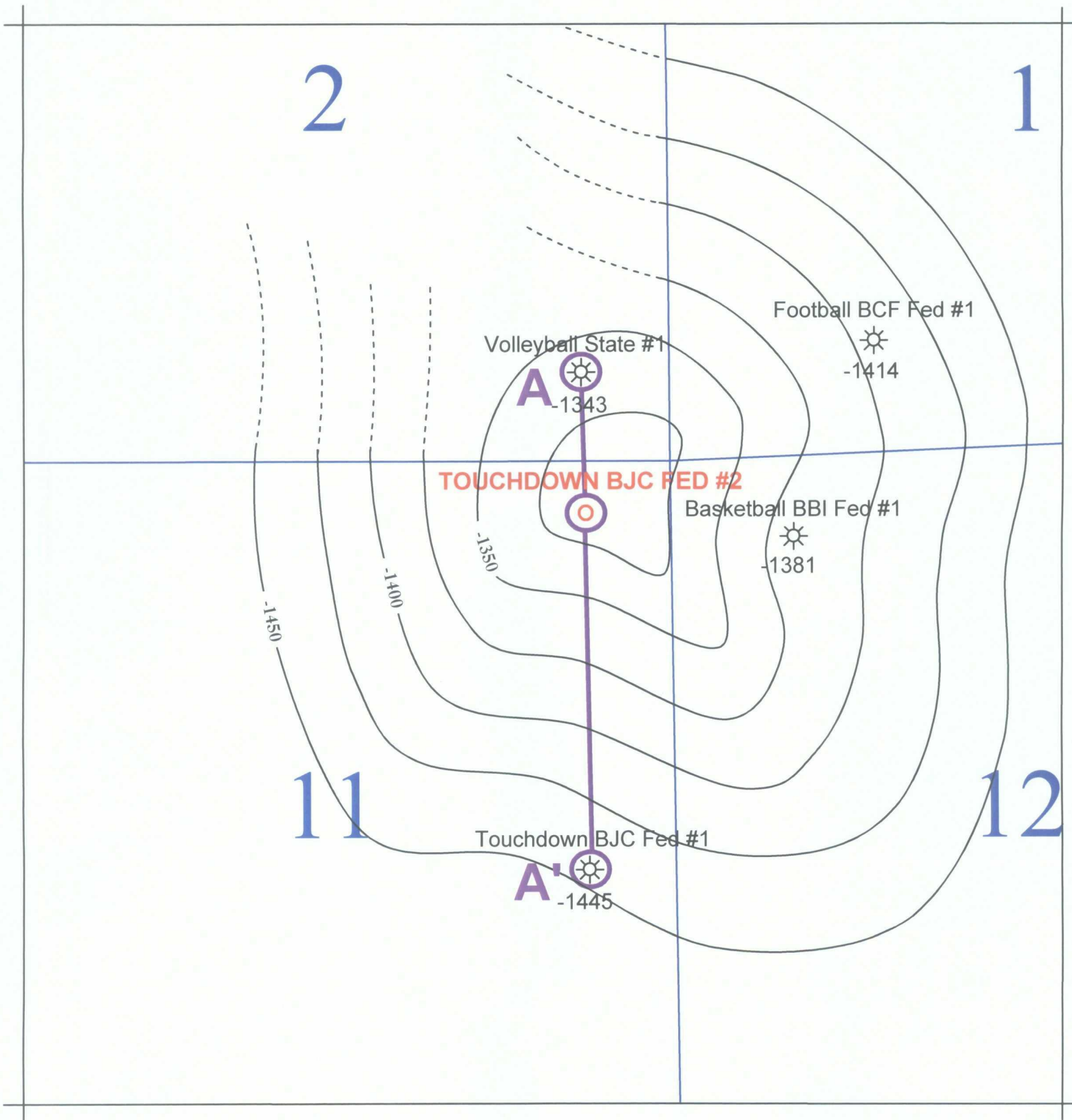
# Siluro-Devonian Time Structure Map



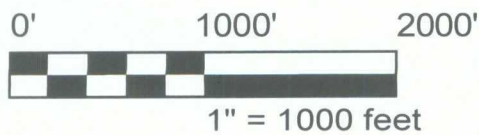
## TOUCHDOWN PROPOSED LOCATION


T - 12S R - 26E Sec. 11  
Chaves Co., New Mexico

Author: D'NESE FLY	Scale: 1" = 1000'	Date: 22 December, 2008
ne	C.I. = 5 ms	File: Touchdown Proposed Loc.dsf



# Wolfcamp B Zone Structure Map



		
<p><b>TOUCHDOWN PROPOSED LOCATION</b>  T - 12S R - 26E Sec. 11  Chaves Co., New Mexico</p>		
Author: D'NESE FLY	Scale: 1" = 1000'	Date: 22 December, 2008
ne	C.I. = 25 feet	File: Touchdown Proposed Loc.dsf