

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

OCT - 9 1998

October 6, 1998

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87508

CERTIFIED MAIL

Return Receipt Requested

RE: Application for Unorthodox Location
Duke ARP Fed Com #1
S/2 Section 14, T17S, R27E
Eddy County, New Mexico

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for an unorthodox Morrow gas well, the Duke ARP Fed Com #1. This well is staked on Federal minerals, 1980' FSL and 990' FWL of Section 14, T17S-R27E, for geological reasons. All possible standard locations in the south half 320-acre proration unit were carefully considered but were deemed undrillable due to high potential for economic waste and poorer quality Morrow sands. We further request this well location be approved for all formations developed on 320-acre spacing in the south half of Section 14.

Notification to the offset operators was made by certified mail on October 7, 1998, including a copy of this application letter with all attachments. We request this unorthodox location be administratively approved if no objections are received within the cited twenty (20) days, or earlier if waivers are received.

Enclosed are Forms C-101 and C-102, a land plat showing all offset operators, a list of the offset operators, and an isopach map depicting the thickness and trend of the upper Morrow clastics.

The exhibit is an isopach map of the upper Morrow Clastics "Hondo Channel" informally named for the Amoco Hondo #1 well in Unit J of Section 27 from which significant production from this sand body was first obtained. Double circled well spots are Morrow penetrations. Red colored well spots indicate gas production from the "Hondo Channel". The contour interval is 10 feet. The spacing unit is outlined in red and the proposed location is pointed out.

The isopach map depicts the thickness and trend of the Hondo distributary channel in the environs of the subject spacing unit. The four red wells on the map that have established economic production from this sand reservoir had thicknesses greater than 30 feet; however, 2 wells with thicknesses in excess of 30 feet were too tight to economically produce (Maralo Berry Fed #2 in Unit O, Section 22, and Amoco Arco Fed #1 in Unit L, Section 26).

The Amoco Hondo Federal #1 in Unit J of Section 27 had a total cumulative production of 7.6 BCF and 78 MBC and is now plugged back to the Wolfcamp. The OXY Thor Federal #1 in Unit K of Section 15 was completed 5-19-1998 for 1775 MCFPD + 20 BCPD + 4 BWPD. The Yates Logan "ASO" Federal #1 in Unit J of Section 15 was only recently put on line and is currently producing 4666 MCFPD + 96 BCPD + 0 BWPD. The newest well producing from the "Hondo Channel" is the OXY Duchess State #1 in Unit F of Section 14 and is currently producing 4761 MCFD + 105 BCPD + 0 BWPD.

Mr. Michal Stogner
NMOCD
Page 2

The proposed location should encounter more than 40 feet of the "Hondo Channel" sand and thus should obtain the maximum amount of hydrocarbon product remaining in the South half of Section 14.

Yates believes approval of the unorthodox Duke ARP location would be in the best interest of conservation, would protect correlative rights, and would allow for the most complete recovery of gas-in-place.

Please call me at 505-748-4351 if you need further information

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads "Robert Bullock".

Robert Bullock
Landman

RB:bn
enclosure(s)

OFFSET OPERATOR NOTIFICATION

Unorthodox Location

Duke "ARP" Federal Com #1

Township 17 South, Range 27 East

Section 14: 1980' FSL & 990' FWL

Eddy County, New Mexico

OXY USA Inc.
Box 50250
Midland, Texas 79710

Altura Energy Ltd.
PO Box 4294
Houston, Texas 77210-4294

ARCO Permian
PO Box 1610
Midland, Texas 79702

Maralo, Inc.
Lowe Partners, LP
5151 San Felipe, Suite 400
Houston, Texas 77056-3607

Wayne Resler
Route 1, Box 1631
Boerne, Texas 78006

Bonnie Resler Karlsrud
840 Crescent
Boulder, Colorado 80303

Wilson & Barr
Oil & Gas Explroation
500 North Loraine, Suite 1070
Midland, Texas 79701

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

YATES PETROLEUM CORPORATION

3. ADDRESS AND TELEPHONE NO.

105 South Fourth Street, Artesia, New Mexico 88210 (505) 748-1471

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1980' FSL and 990' FWL

At proposed prod. zone

Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 9 miles east of Artesia, New Mexico.

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

990'

16. NO. OF ACRES IN LEASE

80

17. NO. OF ACRES ASSIGNED

TO THIS WELL 320

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.19. PROPOSED DEPTH
9600'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3483' GR

22. APPROX. DATE WORK WILL START*

ASAP

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	1650'	500 sx Circulate
7 7/8"	4 1/2"	11.6#	TD	350 sx TOC at 8000'

Yates Petroleum Corporation proposes to drill and test the Morrow and intermediate formations. Approximately 1650' of surface casing will be set and cement circulated. If commercial, production casing will be run and cemented with adequate cover, perforated and stimulated as needed for production.

MUD PROGRAM: 0-1650' Fresh Water; 1650'-5000' Fresh Water/Gel; 5000'-8500' Cut Brine
8500'-9600' Salt Gel/Starch/Drispac/2% KCL.

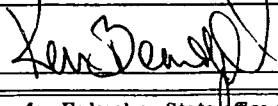
BOPE PROGRAM: BOPE will be nipped up on the 8 5/8" casing and tested daily for operation.

PLEASE NOTE: This Application For Permit To Drill is also the application for road access
Right of Way.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED



TITLE Landman

DATE October 6, 1998

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Morrow
Property Code	Property Name DUKE ARP FEDERAL COM	Well Number 1
GRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3483.

¹⁰ Surface Location

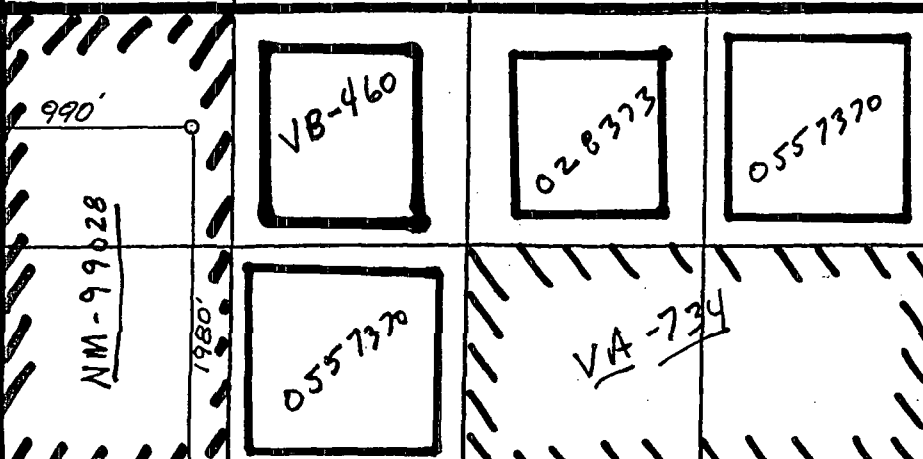
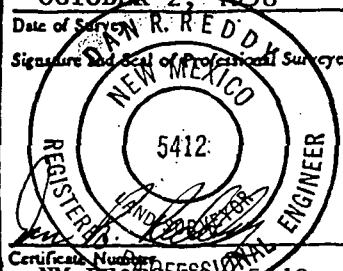
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
L	14	17-S	27-E		1980	SOUTH	990	WEST	EDDY

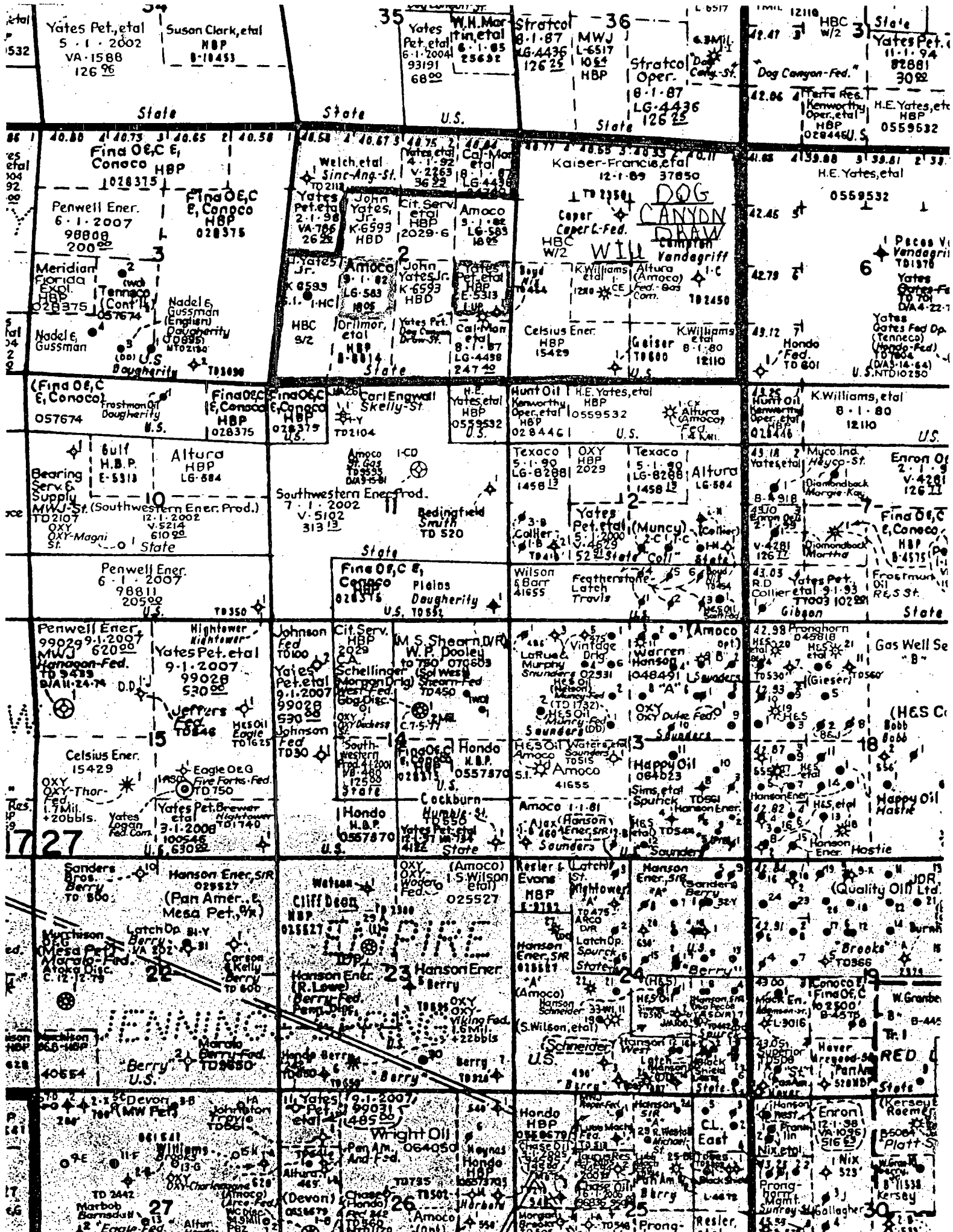
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

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

¹⁶				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Ken Beardemphl</u> Printed Name <u>Ken Beardemphl</u> Title <u>Landman</u> Date <u>October 6, 1998</u>
				¹⁸ 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. OCTOBER 2, 1998 Date of Survey <u>NEW R. RED D.K.</u> Signature and Seal of Professional Surveyor: 



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RANDY G. PATTERSON
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DENNIS G. KINSEY
TREASURER

October 7, 1998

OXY USA, Inc.
Box 50250
Midland, Texas 79710

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Duke ARP Fed Com #1
Township 17 South, Range 27 East
Section 14: 1980' FSL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Duke ARP Fed Com #1 well at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation.

Company: _____

Name: _____

Title: _____

Date: _____

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PO Box 4294
Houston, Texas 77210-4294

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October 7, 1998

ARCO Permian
PO Box 1610
Midland, Texas 79702

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October 7, 1998

Maralo, Inc.
Lowe Partners, LP
5151 San Felipe, Suite 400
Houston, Texas 77056-3607

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Wayne Resler
Route 1, Box 1631
Boerne, Texas 78006

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Bonnie Resler Karlsrud
840 Crescent
Boulder, Colorado 80303

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October 7, 1998

Wilson & Barr
Oil & Gas Exploration
500 North Loraine, Suite 1070
Midland, Texas 79701

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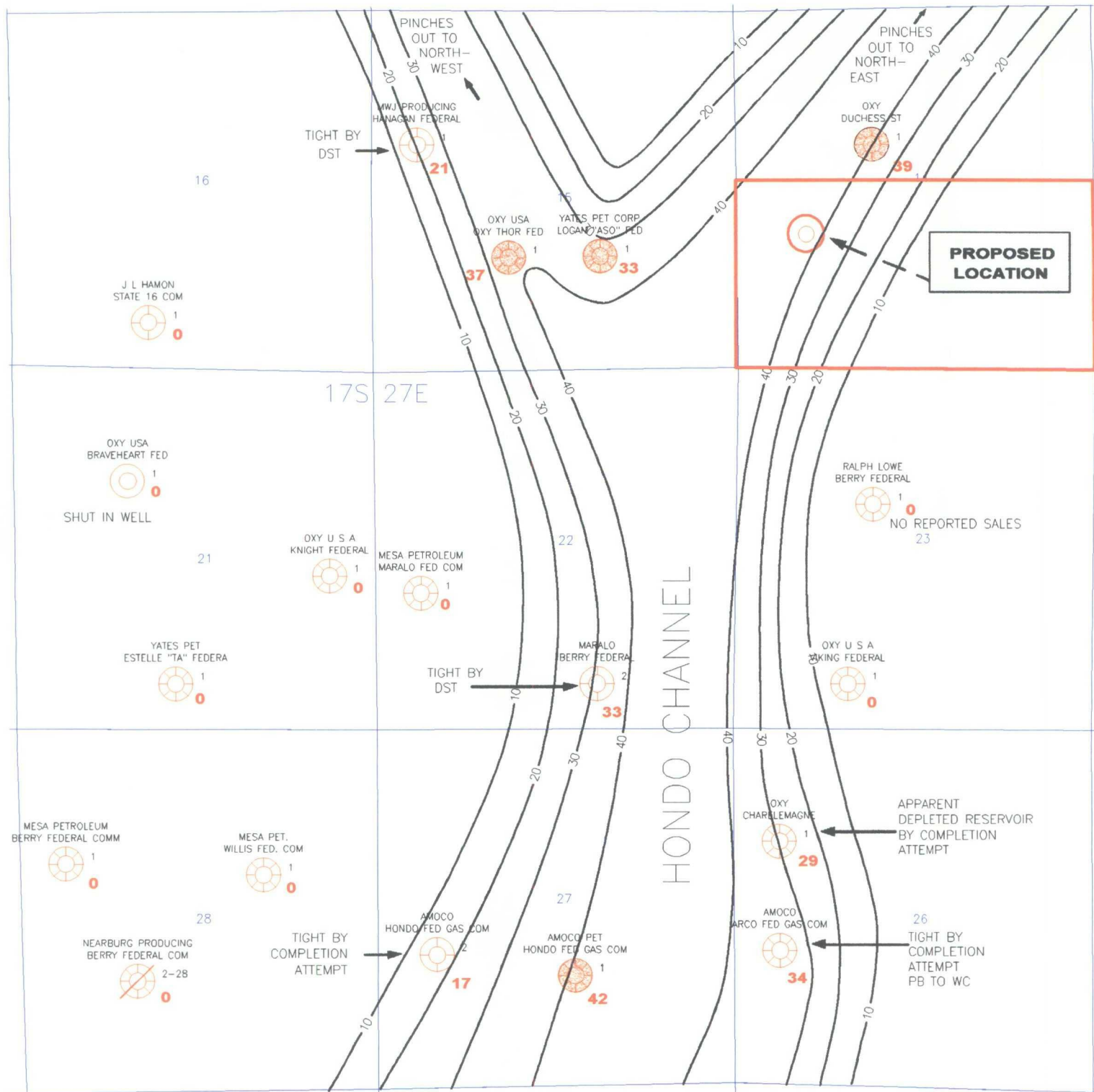
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Company: _____





Name: _____

Title: _____

Date: _____



LEGEND

-  Morrow Penetrations
-  Thickness of "Hondo Channel" Sand
-  "Hondo Channel" producers
-  Isopach Contours; C.I. = 10 feet

Scale: 1" = 2000'

N. M. Oil Cons. Division

811 S. 1ST ST.

Form 3160-3
(July 1992)

ARTESIA, NM 88210-2834

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*

(Other instructions on
reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☐GAS WELL ☒OTHER ☐SINGLE ZONE ☐MULTIPLE ZONE ☐

2. NAME OF OPERATOR

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LOCATION TO NEAREST

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(Also to nearest drlg. unit line, if any)

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9600'

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TO THIS WELL

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Right of Way.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

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TITLE Landman

DATE October 6, 1998

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

(ORIG. SGD.) ARMANDO A. LOPEZ

Assistant Field Office Manager,
Lands and Minerals

NOV 02 1998

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

District I
PO Box 1980, Hobbs, NM 88241-1980
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District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
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Form C-102
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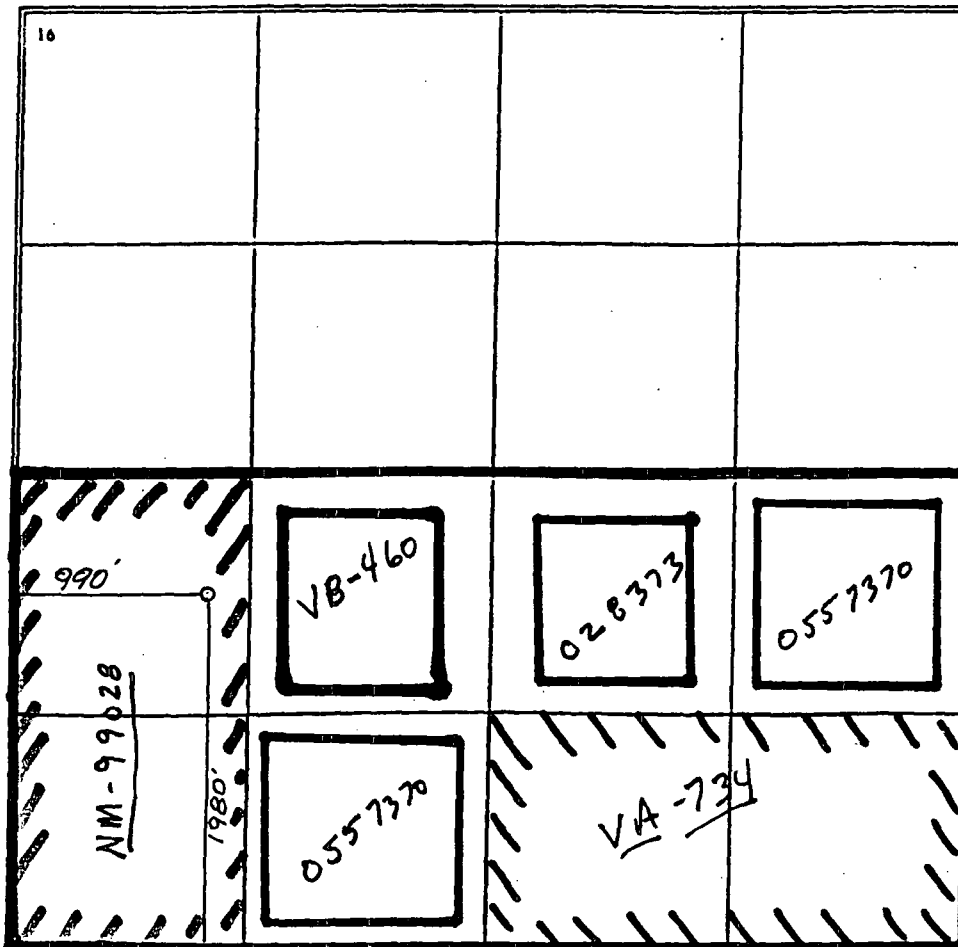
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	17-S	27-E		1980	SOUTH	990	WEST	EDDY

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
Dedicated Acres 320		Joint or Infill		Consolidation Code		Order No.			

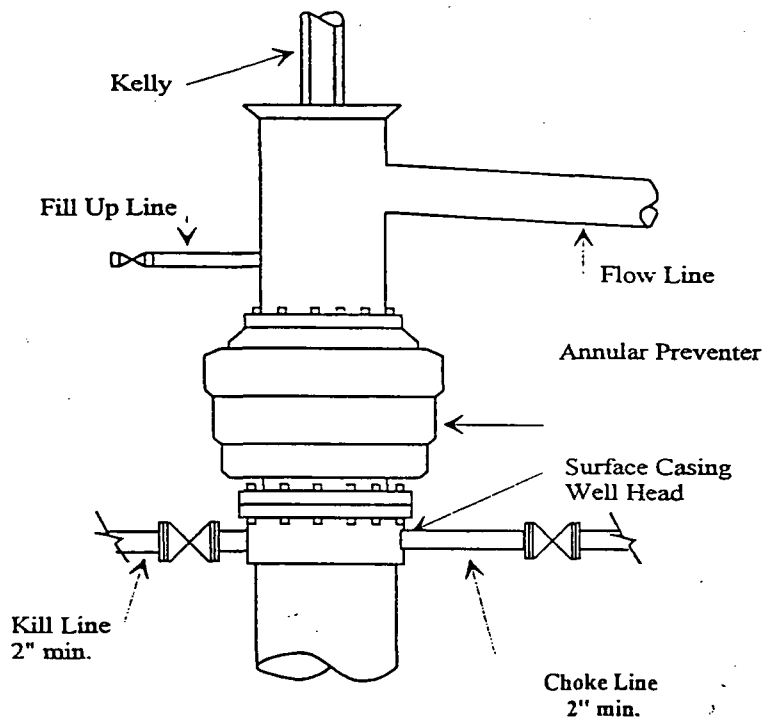
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>16</div> 				<div>17 OPERATOR CERTIFICATION</div> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <i>Ken Beardemphl</i></p> <p>Printed Name: Ken Beardemphl</p> <p>Title: Landman</p> <p>Date: October 6, 1998</p>	
				<div>18 SURVEYOR CERTIFICATION</div> <p>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.</p> <p>OCTOBER 2, 1998</p> <p>Date of Survey: <i>AN R. REDDY</i></p> <p>Signature: <i>AN R. REDDY</i></p> <p>NEW MEXICO REGISTERED PROFESSIONAL ENGINEER 5412</p> <p>Certificate Number: NM PRS PF 5861 5412</p>	

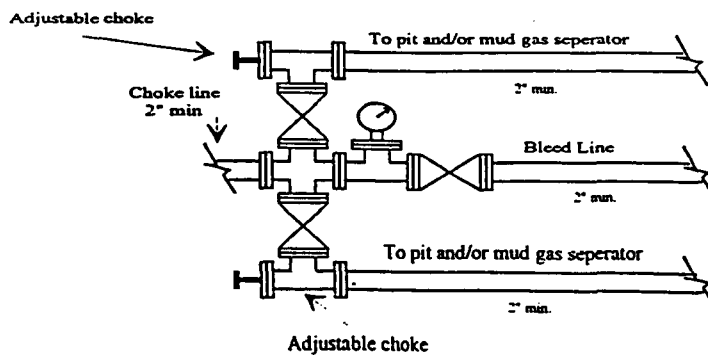
Yates Petroleum Corporation

BOP-1

Typical low Pressure System
Schematic
Annular Preventer 2,000 psi



Typical 2,000 psi choke manifold assembly with at least these minimum features



Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Duke "ARP" Federal Com #1
1980' FSL and 990' FWL
Section 14, T17S-R27E
Eddy County, New Mexico
NM-99028



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 14, 1998

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Robert Bullock

RE: Administrative application to drill the proposed Duke "ARP" Federal Com. Well No. 1 at an unorthodox Morrow gas well location 1980' FSL & 990' FWL (Unit L) of Section 14, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, in which the S/2 of Section 14 is to be dedicated in order to form a standard 320-acre gas spacing and proration unit in the Undesignated Logan Draw-Morrow Gas Pool.

Dear Mr. Bullock:

Upon my review of the subject application, which was received by the Division on October 9, 1998, it was found that an Application for Permit to Drill ("APD") a Morrow gas well within the S/2 of Section 14 has been approved for Southwestern Energy Production Company's Sharmu State Com. Well No. 1 (API No. 30-015-30421) to be drilled at a standard gas well location 1980 feet from the South line and 2080 feet from the West line (Unit K) of Section 14 (see copy attached).

Since an active APD is on file for this acreage, it would be inappropriate for the Division to proceed any further with the processing of your application. Therefore, I will hold this application until such time as you can provide me with additional information that would allow me to proceed.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Carlsbad
William F. Carr - Santa Fe

District I

PO Box 1980, Hobbs, NM 88241-1980

District II

811 South First, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-101

Revised October 18, 1994

Instructions of back

Submit to Appropriate District Office

State Lease - 6 Copies

Fee Lease - 5 Copies

AMENDED REPORT

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, NM 87505

OCT
RECEIVED
OCD - ARTESIA

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1 Operator Name and Address SOUTHWESTERN ENERGY PRODUCTION COMPANY 5151 SAN FELIPE, SUITE 700 HOUSTON, TEXAS 77056-3608		2 GRID Number 148111
		3 API Number 30-015-30421
4 Property Code 23784	5 Property Name SHARMU STATE COMM.	6 Well No. #1

Surface Location

UL or lot no.	Section 14	Township 17S	Range 27E	Lot Idn	Feet from the 1986	North/South line SOUTH	Feet from the 2086	East/West Line WEST	County EDDY
---------------	---------------	-----------------	--------------	---------	-----------------------	---------------------------	-----------------------	------------------------	----------------

Proposed 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
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

9 Proposed Pool 1

10 Proposed Pool 2

Logan Draw; Morrow 80400

11 Work Type Code N	12 Well Type Code G	13 Cable/Rotary ROTARY	14 Lease Type Code S	15 Ground Level Elevation 3469
16 Multiple	17 Proposed Depth 9,700	18 Formation MORROW	19 Contractor	20 Spud Date

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4	8 5/8 - J-55	32	1500'	940	0
7 7/8	5 1/2 - N-80	17	9700'	400	7400

22

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

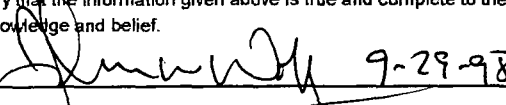
MIRU DRLG. CONTRACTOR. DRL. 12 1/4" HOLE TO +/- 1500'. RIH W/ 8 5/8" CASING/HARDWARE & CMT. WOC 18 HRS.

NU CASING HEAD & BOP, TEST TO 5000#.

DRL. 7 7/8" PRODUCTION HOLE. LOG & EVALUATE. RIH W/ 5 1/2" CASING/HARDWARE & CMT.

(SURVEY PLAT TO BE DELIVERED TO NMOCD.)

Notify N.M.O.C.C. in sufficient
time to witness cementing
the 8 5/8" casing

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief.	OIL CONSERVATION DIVISION	
Signature:  9-29-98	Approved By: ORIGINAL SIGNED BY TIM W. GUM	
Printed Name: JOHN W. WOLF	Title: DISTRICT II SUPERVISOR	
Title: ENGINEER - CHI OPERATING, INC.	Approval Date: 10-2-98	Expiration Date: 10-2-99

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code		Property Name			Well Number
		SHARMU STATE COM			1
OGRID No.		Operator Name			Elevation
		SOUTHWESTERN ENERGY PRODUCTION COMPANY			3469.

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
K	14	17-S	27-E		1980	SOUTH	2080	WEST	EDDY

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
320			

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 data-bbox="140 1050 173 1081">16</div>	<h2>17 OPERATOR CERTIFICATION</h2> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Clif Mann</i> Signature CLIF MANN Printed Name PRODUCTION FOREMAN Title SEPTEMBER 30, 1998 Date</p>	
	<h2>18 SURVEYOR CERTIFICATION</h2> <p>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.</p> <p>SEPTEMBER 30, 1998 Date of Survey Signature and Seal of Professional Surveyor: </p>	

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



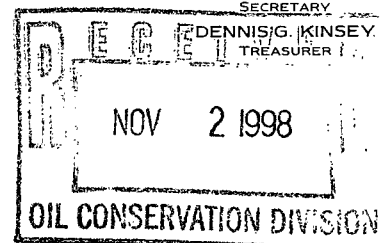
105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

NSL-4165

October 28, 1998



Attention: Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87508

CERTIFIED MAIL
Return Receipt Requested

RE: Application for Unorthodox Location
Duke "ARP" Fed Com #1
Township 17 South, Range 27 East
Section 14: 1980' FSL & 990' FWL
Eddy County, New Mexico

Dear Mr. Stogner:

It is our understanding that the Application for Permit to Drill approved for Southwestern Energy Production Company's Sharmu State Com Well No. 1 (API No. 30-015-30421) has been withdrawn and is therefore no longer an active APD with New Mexico Oil Conservation Division.

We therefore respectfully request that you process our application on the captioned well, submitted by letter of October 6, 1998.

Also, enclosed are waivers executed by Oxy USA, Inc., Wilson & Barr, Maralo, Inc., and Atlantic Richfield Company.

Please call me at 505-748-4351 if you need further information.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB/dc

WILSON & BARR
OIL AND GAS EXPLORATION

500 North Loraine, Suite 1070
Midland, Texas 79701
(915) 683-1616
Fax: (915) 683-4425

RICHARD K. BARR, Geologist
SCOTT E. WILSON, Landman

August 3, 1998

Yates Petroleum Corporation
ATTENTION: Mr. Rob Bullock
105 South 4th Street
Artesia, New Mexico

Re: **OXY Duchess Federal #1**
Township 17 South, Range 27 East, NMPM
Section 14: N/2
Eddy County, New Mexico

Dear Rob:

To confirm the verbal agreement I made with John Yates on July 24, we agree not to compete with Yates Petroleum Corporation for any oil and gas rights in the S/2 Section 14, T-17-S, R-27-E. Further, we agree not to object to any unorthodox location that Yates Petroleum may wish to drill in the S/2 said Section 14. Finally, I will assist Yates Petroleum in acquiring the oil and gas rights in the S/2 said Section 14 as may be requested by Yates' Land Department.

The Yates Group agrees to participate in the drilling of the OXY Duchess Federal #1 at a location 1980' FNL and 1980' FWL of said Section 14 with the N/2 to be the spacing unit for Wolfcamp and Pennsylvanian gas production. The Yates Group agrees to execute and return the previously sent Operating Agreement and AFE for the drilling of the well.

This agreement shall be for a period of one year from the date of this letter.

Enclosed is my title information and correspondence relative to the S/2 of said Section 14.

Very truly yours,



Scott E. Wilson, CPL



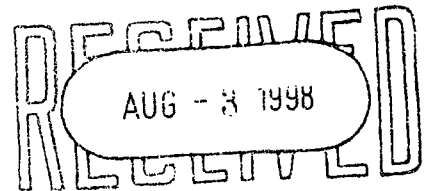
Patrick S. Sparks
Landman

OXY USA INC.
Box 50250, Midland, TX 79710

Phone (915) 685-5757
Fax (915) 685-5742

July 31, 1998

Yates Petroleum Corporation
Attention: Mr. Rob Bullock
105 South 4Th Street
Artesia, New Mexico



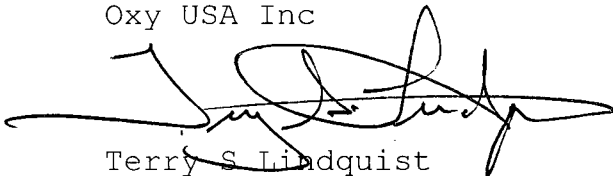
Re: Oxy Duchess Federal #1
N/2 Section 14-17S-27E
Eddy County, New Mexico

Gentlemen:

In consideration for the Yates Group agreeing not to protest the location and to participate in the drilling of the Oxy Duchess Federal #1 at a location 1980' FNL and 1980' FWL of Section 14, with the North $\frac{1}{2}$ to be the spacing unit for Wolfcamp and Pennsylvanian gas production, Oxy hereby agrees not to compete with the Yates Petroleum Corporation in the acquisition of any oil and gas rights in the South $\frac{1}{2}$ of said Section 14 for the period of one year from today's date and not to protest the well location for any gas well drilled thereon by Yates Petroleum Corporation.

If this is agreeable to the Yates group we ask that you promptly execute and return the previously sent Operating Agreement and the AFE for the drilling of the captioned well.

Sincerely,
Oxy USA Inc



Terry S Lindquist

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1985

RECEIVED
OCT 16 1998



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

October 7, 1998

Maralo, Inc.
Lowe Partners, LP
5151 San Felipe, Suite 400
Houston, Texas 77056-3607

CERTIFIED MAIL
Return Receipt Requested

RECEIVED
OCT 13 1998
LAND DEPT.

RE: Offset Operator Notification
Unorthodox Location
Duke ARP Fed Com #1
Township 17 South, Range 27 East
Section 14: 1980' FSL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Duke ARP Fed Com #1 well at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation.

Company: MARALO, INC.

Name: R. A. Lawry

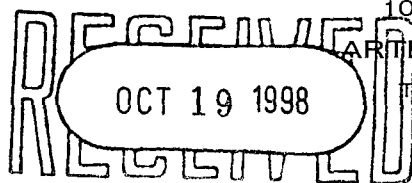
Title: PRODUCTION MANAGER

Date: 10/14/98

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

October 7, 1998

ARCO Permian
PO Box 1610
Midland, Texas 79702

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Duke ARP Fed Com #1
Township 17 South, Range 27 East
Section 14: 1980' FSL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Duke ARP Fed Com #1 well at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation.

Company: Atlantic Richfield Company

Name: [Signature]

Title: Landman

Date: 10/15/98

COUNTY Eddy

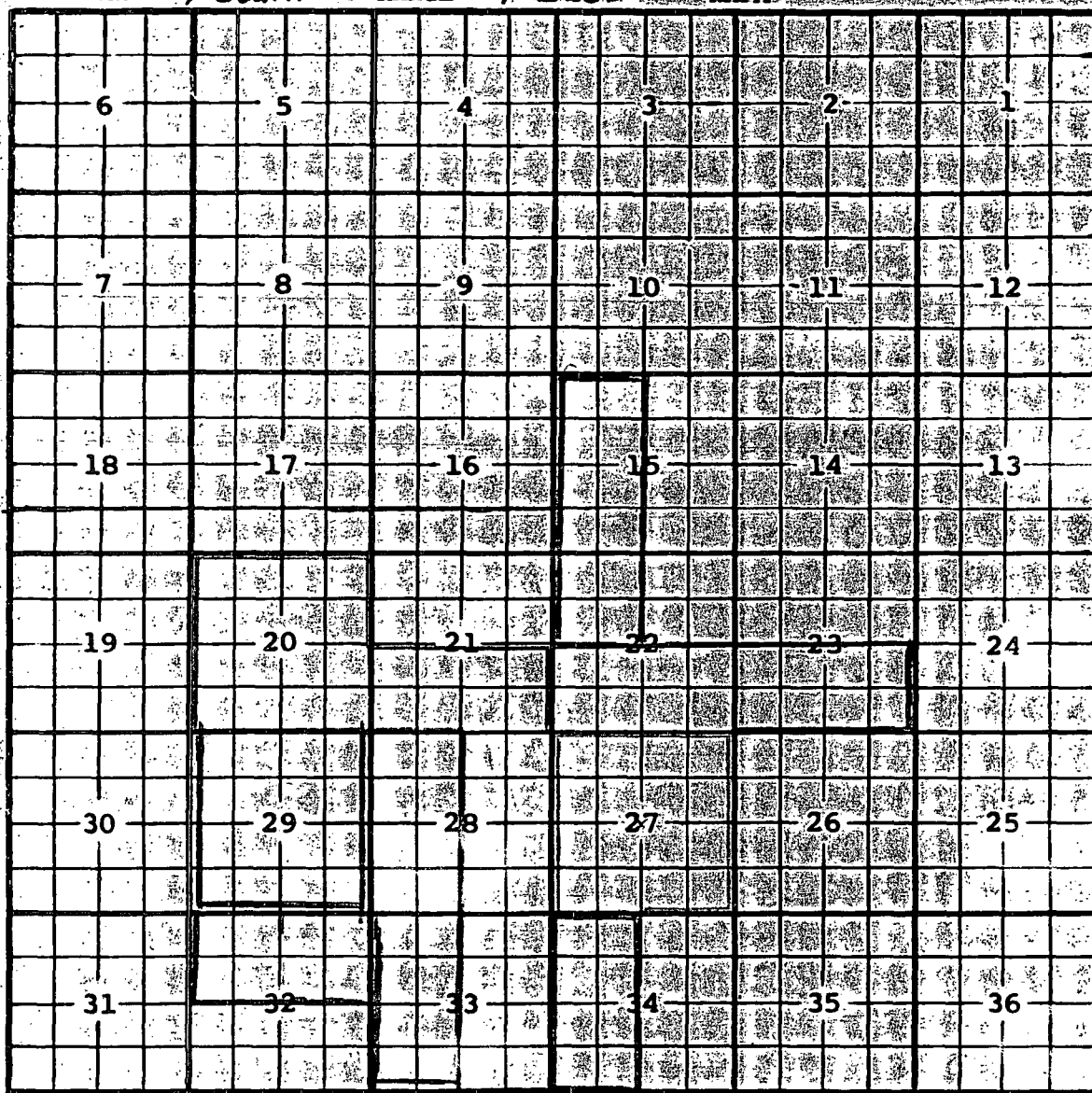
POOL

Logan Draw - Morrow GasTOWNSHIP 17 South

RANGE

27 East

NMPM

Description: $\frac{W}{2}$ Sec. 34 (R-3752, 6-1-69)Ext: All Sec. 27 (R-4734, 3-1-74) Ext: All Sec. 20, $\frac{S}{2}$ Sec. 21, $\frac{E}{2}$ Sec. 28, $\frac{E}{2}$ Sec. 33 (R-6328, 5-1-80) Ext: All Sec. 29 (R-10619, 7-2-96)Ext: $\frac{W}{2}$ Sec. 28, $\frac{W}{2}$ Sec. 33 (R-10782, 4-9-97)Ext: $\frac{N}{2}$ Sec. 32 (R-10823, 6-16-95) Ext: $\frac{S}{2}$ Sec. 22, $\frac{S}{2}$ Sec. 23 (R-10844, 2-16-97)Ext: $\frac{W}{2}$ Sec. 15, $\frac{W}{4}$ Sec. 22 (R-11013, 7-30-98)

320

Ext: All Sec. 2 (A-7248, 3-30-83) Ext: 5/2 Sec. 3; 5/2 Sec. 4 (A-11013, 7-30-98)

CMD : ONGARD 10/14/98 16:22:40
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOIV -EMED

OGRID Idn : 148111 API Well No: 30 15 30421 APD Status(A/C/P): A
Opr Name, Addr: SOUTHWESTERN ENERGY PRODUCTION C Aprvl/Cncl Date : 10-02-1998
2350 N SAM HOUSTON PKWY
STE 300
HOUSTON, TX 77032
Prop Idn: 23784 SHARMU STATE COM Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
	---	---	-----	-----	-----	-----	-----	-----
Surface Locn :	K	14	17S	27E			FTG 1980 F S	FTG 2080 F W
OCD U/L :	K		API County :	15				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : R
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 3469

State Lease No: Multiple Comp (Y/N) : N
Prpsd Depth : 9700 Prpsd Frmtn : MORROW

E7024: Only view is allowed

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

10/14/98 16:22:27
OGOIV -EMED
PAGE NO: 2

Sec : 14 Twp : 17S Rng : 27E Section Type : NORMAL

L 40.00 Federal owned	K 40.00 CS VB0480 0000 04/01 SOUTHWESTERN ENER A	J 40.00 Federal owned	I 40.00 Federal owned
M 40.00 Federal owned	N 40.00 Federal owned	O 40.00 CS V05378 0000 10/03 YATES PETROLEUM C	P 40.00 CS V05378 0000 10/03 YATES PETROLEUM C

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

Fax Cover Sheet

To: Mr. Michael Stogner
Company: NM OCD
Phone: _____
Fax: 505-827-8177

From: **Robert Bullock**
Company: **Yates Petroleum Corporation**
Phone: **(505) 748-1471**
Fax: **(505) 748-4572**

Date: 11-18-98

Pages including
cover page: 1

Comments:

Re: Duke ARP Fed. Com. #1
T175, R27E
Sec 14: 1980'S 1990 'W
Eddy Co, NM

Do you need any additional information
from Yates to process our application to
grant administrative approval for an
unorthodox Morrow gas well location?

Respectfully,

Robert Bullock

OIL CONSERVATION DIVISION
ARTESIA, NEW MEX. 88210

TO: SLIGNER
FROM: Art - OCD
DATE: 11-19-98

NUMBER OF SHEETS (INCLUDING TRANSMITTAL SHEET) 2

IF YOU HAVE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CALL 505-748-1283.

FAX NUMBER (505) 748-9720

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

OIL CONSERVATION DIVISION

District I
P. O. Box 1880, Hobbs, NM 88240

2040 Pacheco St.
Santa Fe, NM 87505

District II
811 South First St., Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

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. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FBE <input type="checkbox"/> State Oil & Gas Lease No. Lease Name or Unit Agreement Name Shermu State Com.
1 Type of Well: OIL <input type="checkbox"/> GAS <input type="checkbox"/> WELL <input type="checkbox"/> WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		Well No. No. 1 Pool name or Widest
2 Name of Operator Southwestern Energy Production Company 3 Address of Operator 6151 San Felipe, Suite 700 Houston, Texas 77056-3606		
4 Well Location Unit Letter : 1980 Feet From The South Line and 2000 Feet From The West Line Section 14 Township 17S Range 27E NE3/4 County Eddy		
5 Elevation (Show whether DP, RKS, RT, GR, etc.)		

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

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input checked="" type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER <input type="checkbox"/>	
--	--	--	--

12 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1100.

Southwestern Energy Production Company wishes to cancel the permit (C-101- dated 9/28/98) to drill subject well.

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

SIGNATURE [Signature] TITLE Engineer DATE 11/19/98
 TYPE OR PRINT NAME John W. Wolf for Southwestern Energy Prod. Co. TELEPHONE NO 915-685-5001
 (This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____
 CONDITIONS OF APPROVAL, IF ANY: