

DATE IN <u>6-29-10</u>	SUSPENSE	ENGINEER <u>DB.</u>	LOGGED IN <u>6-29-10</u>	TYPE <u>NSL</u>	APP NO. <u>1018057946</u>
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PTG-W

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Yates

Cash BNG State #3

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-36748

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 _____

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[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners Does Not Apply
- [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 6-29-10
 Print or Type Name Signature Title Date
omundsdry@hollandsart.com
 e-mail Address



June 29, 2010

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 Cash "BNG" State Unit Well No. 3 located 1400 feet from the South line and 1605 feet from the West line of Section 18, Township 10 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Pursuant to the provisions of Division Rule 19.15.15.13, Yates Petroleum Corporation ("Yates") hereby seeks administrative approval of an unorthodox well location for its Cash "BNG" State Unit Well No. 3 located 1400 feet from the South line and 1605 feet from the West line of Section 18, Township 10 South, Range 34 East, N.M.P.M., Lea County, New Mexico. The SW/4 of Section 18 will be dedicated to the well.

This location is unorthodox because it is governed by the Special Rules and Regulations for the Vada-Pennsylvanian Pool which provide for wells on 160-acre spacing to be located 150 feet of the center of a single governmental quarter-quarter section. The proposed location is unorthodox because it is outside the 150 foot window. A standard 160-acre spacing and proration unit comprised of the SW/4 of Section 18 will be dedicated to the well. **Exhibit A** is a revised C-102 as well as the previous C-102s filed for the well.

Yates originally drilled this well as a Mississippian gas test. It was then plugged back and re-completed as an Atoka gas well. The well has now become uneconomic to produce and Yates would like to re-complete the well as a Vada-Upper Pennsylvanian oil well. It would be economic to test the Vada-Upper Penn zone in the existing wellbore rather than drill a new well and will avoid having to plug and abandon this well.

Yates also plans to test the Basal Abo and Wolfcamp (oil) formations which, if successful, will require 40-acre spacing. Therefore, Yates also seeks approval of a non-standard location for the Basal Abo and Wolfcamp formations.

Holland & Hart^{LLP}

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

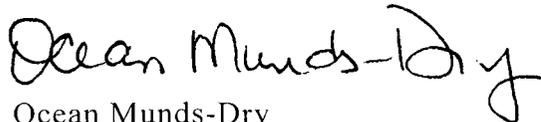
Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ♻️

Attached hereto as **Exhibit B** is a plat as required by Division rules. Yates is also the offset operator towards which the well is encroaching and working interest ownership is common in each spacing unit. Therefore, there are no affected parties as defined by Division rules 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. Clifton May
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88201

OCD - Hobbs

DISTRICT I
3025 N. French Dr., Hobbs, NM 88340

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department

Revised March 17, 1999

DISTRICT II
811 South First, Artesia, NM 88210

Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

OIL CONSERVATION DIVISION

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name <i>WILDCAT MISSISSIPPIAN</i>
Property Code	Property Name <i>CASH STATE UNIT</i>	Well Number <i>3</i>
OGRID No. <i>025575</i>	Operator Name <i>YATES PETROLEUM CORPORATION</i>	Elevation <i>4205</i>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<i>K</i>	<i>18</i>	<i>10S</i>	<i>34E</i>		<i>1400</i>	<i>SOUTH</i>	<i>1605</i>	<i>WEST</i>	<i>LEA</i>

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 <i>317.924/2</i>	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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein to true and complete to the best of my knowledge and belief.</p> <p><i>Clifton R. May</i> Signature</p> <p><i>CLIFTON R. MAY</i> Printed Name</p> <p><i>REGULATORY AGENT</i> Title</p> <p><i>6/29/04</i> Date</p>	
	<p>SURVEYOR CERTIFICATION</p> <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><i>6/28/2004</i> Date Surveyed</p> <p><i>[Signature]</i> Signature</p> <p><i>HEIDI M. GILES</i> Professional Surveyor</p> <p><i>3640</i> Certificate No. Heretofore known as RLS 3640</p> <p>GENERAL SURVEYING COMPANY</p>	
	<p>0 350' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'</p>	

