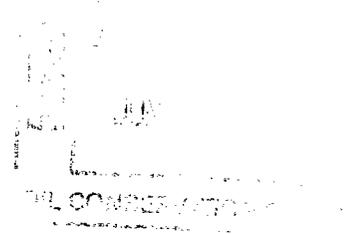


BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR DIRECTIONAL DRILLING AND AN
UNORTHODOX BOTTOMHOLE LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 1327

APPLICATION

Yates Petroleum Corporation, through its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 111 to directionally drill its Zinnia Federal Unit No. 1 Well to the Strawn formation, East Burton Flat-Strawn Gas Pool, and the Morrow formation as a wildcat Morrow well, and in support of this application states:

1. Applicant is the operator of the N/2 of Section 27, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.
2. Applicant proposes to drill its Zinnia Federal Unit No. 1 Well from a surface location 1980 feet from the North line and 910 feet from the West line of Section 27, to a proposed unorthodox bottomhole location within 50 feet of a point 1980 feet from the North line and 2405 feet from the East line of said Section 27, with the intent of testing the Strawn and Morrow formations.
3. Applicant proposes to dedicate to the Zinnia Federal Unit No. 1 Well a standard spacing or proration unit comprised of the N/2 of said Section 27.
4. Directionally drilling this well will enable Yates Petroleum Corporation to

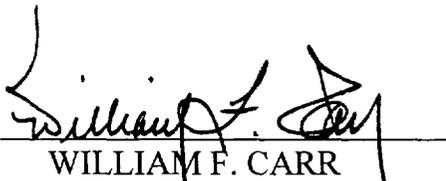
more efficiently produce the reserves which underlie the above-described proration unit.

5. Approval of this application will enable the Applicant to produce hydrocarbons that otherwise would not be produced and will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on July 13, 1995, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other relief as is proper.

Respectfully submitted,

CAMPBELL, CARR & BERGE, P.A.

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