

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 10014

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of the following lands in Eddy County, New Mexico:

Township 20 South, Range 29 East, N.M.P.M.

Section 22: N/2

containing 320 acres, more or less,
and proposes to drill its Gazelle "AHG" Federal No. 2 Well to test the Morrow and intermediate formations underlying said lands.

2. Applicant proposes to directionally drill its Gazelle "AHG" Federal No. 2 Well from a surface location of 1,000 feet from the south line and 5 feet from the east line of Section 16, Township 20 South, Range 29 East, N.M.P.M., to a depth sufficient to test the Morrow formation underlying the N/2 of said

Section 22, at approximately 12,200 feet. Applicant proposes to directionally drill said well to come within 150 feet of the following target locations:

- (a) In the Strawn formation, at an orthodox location of 825 feet from the north line and 2,145 feet from the east line of said Section 22; and
- (b) In the Morrow formation, at an unorthodox location of 1,181 feet from the north line and 1,533 feet from the east line of said Section 22.

Applicant proposes to dedicate to the Gazelle "AHG" Federal No. 2 Well a standard proration unit comprised of the N/2 of said Section 22.

3. The Applicant seeks permission pursuant to Oil Conservation Division Rule 111 to directionally drill its Gazelle "AHG" Federal No. 2 Well. The Applicant further seeks an exception to the well location requirements of Oil Conservation Division Rule 104 to permit the completion of its well at the locations set forth in Paragraph 2 above, for all formations in N/2 of said Section 22 which may be developed on 320-acre spacing.

4. A standard 320-acre proration unit comprising the N/2 of said Section 22 should be dedicated to such well or such lesser portion thereof as is reasonably shown to be productive of oil and gas.

5. The directional drilling of this well will enable Applicant to produce the reserves which underlie the above referenced proration unit in the most economical and efficient manner.

6. The approval of this Application will afford Applicant the opportunity to produce its just and equitable share of oil and gas, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

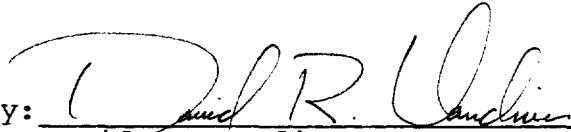
WHEREFORE, Applicant requests:

A. That this Application be set for hearing before an Examiner of the Oil Conservation Division on July 11, 1990, and that notice of said hearing be given as required by law;

B. That upon hearing, the Division enter its order granting Applicant permission to directionally drill its Gazelle "AHG" Federal No. 2 Well, from a surface location 1,000 feet from the south line and 5 feet from the east line of Section 16, Township 20 South, Range 29 East, N.M.P.M., to come within 150 feet of the target locations in the Strawn formation, at a point 825 feet from the north line and 2,145 feet from the east line of said Section 22, and in the Morrow formation, at a point 1,181 feet from the north line and 1,533 feet from the east line of said Section 22, and to dedicate the N/2 of said Section 22 to said well for production from all formations which may be developed on 320-acre spacing;

C. And for such other and further relief as may be
just in the premises.

YATES PETROLEUM CORPORATION

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