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DEAN B. CROSS
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300 YATES PETROLEUM BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
(505) 746-3505
TELECOPY
(505) 746-6316

March 9, 1992

RECEIVED

MAR 10 1992

FEDERAL EXPRESS

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

OIL CONSERVATION DIV.
SANTA FE

104160

Re: Application of Yates Petroleum Corporation

Dear Mr. LeMay:

Enclosed for filing, please find three copies each of two Applications of Yates Petroleum Corporation for permits to drill deviated holes, underlying Section 19, Township 21 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

We ask that these cases be set for hearing before an examiner, after allowing twenty days for notice, and that we be furnished with a copy of the docket for said hearings.

Yours truly,

LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:bjk
Enclosures

cc w/encl: Mr. Randy Patterson
Mr. Cliff May

RECEIVED

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

MAY 10 1992

OIL CONSERVATION DIV.
SANTA FE

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR :
PERMISSION TO DRILL A DEVIATED HOLE, :
EDDY AND LEA COUNTIES, NEW MEXICO :
_____ :

CASE NO.

10460

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys
Losee, Carson, Haas & Carroll, P.A. (Ernest L. Carroll), and in
support hereof respectfully states:

1. Applicant is the operator of the Delaware and
intermediate formations underlying:

Township 21 South, Range 32 East, N.M.P.M.
Lea County, New Mexico

Section 19: Unit L,
and proposes to drill its Bonnevillie "AKK" Federal No. 3 Well to
be bottomed at a location 1980 feet from the South line and 660
feet from the West line of said Section 19.

2. Applicant proposes that the surface location be
located 660 feet from the South line and 200 feet from the East
line of Section 24, Township 21 South, Range 31 East, N.M.P.M.,
Eddy County, New Mexico.

3. Applicant proposes to drill said well at such
surface location vertically and cased through the potash and salt

sections to a depth of approximately 4500 feet before deviation of the hole is to begin.

4. Applicant seeks to test the Delaware and intermediate formations by drilling its proposed well to a total depth of 8500 feet. Applicant has previously submitted its Application for Permit to Drill, Deepen or Plug Back, Federal Form 3160-3, as required to the Bureau of Land Management, to permit the drilling of its non-deviated hole, Bonneville "AKK" Federal No. 1 Well in Unit L of Section 19, Township 21 South, Range 32 South, N.M.P.M., at a surface location 1980 feet from the South line and 660 feet from the West line. Applicant has further complied with Order No. R-111-P and has sent the required notice of such Application for Permit to Drill, Deepen or Plug Back to each potash operator holding potash leases within a radius of one mile of the proposed well, as reflected by the plat submitted with applicant's Application for Permit to Drill, Deepen or Plug Back. Attached hereto is a copy of said Federal Form 3160-3 as previously submitted.

5. Applicant has received verbal notice from the potash operator to whom notice was given that it will object to the drilling of said Bonneville "AKK" Federal No. 1 Well.

6. Applicant is the operator of Unit L of Section 19, Township 21 South, Range 32 East, N.M.P.M., by virtue of a farmout from Bonneville Fuels Corporation who is the owner of the working interest in and to Federal Oil and Gas Lease Serial No. NM-31375 covering said Unit L of Section 19, Township 21 South, Range 32 East, N.M.P.M. Said farmout agreement has a drilling requirement

which requires that the initial well be spudded no later than April 30, 1992. Applicant has sought from Bonneville Fuels Corporation and has been denied an extension of the April 30, 1992 deadline for the spudding of the first well on the farmout acreage. Failure of applicant to begin drilling upon the farmout acreage by said April 30, 1992 will cause it to lose rights that it might earn by drilling under the entire S/2 of said Section 19, Township 21 South, Range 32 East, N.M.P.M. Because of the objection of the potash operator, applicant seeks to drill its Bonneville "AKK" Federal No. 3 Well as a replacement for the proposed Bonneville "AKK" Federal No. 1 Well.

7. Applicant is the operator of the Wolf No. 7 Well located 660 feet from the South line and 330 feet from the East line of Section 24, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and is the operator of the entire E/2 of said Section 24, Township 21 South, Range 31 East, N.M.P.M. As the potash operator has indicated previously to applicant that it will object to all other wells other than those drilled upon the pad of the Wolf No. 7 Well, and because of the time constraints imposed upon it by the farmout agreement, applicant has not given notice of this application to the Oil Conservation Division prior to the filing of this Application, nor has applicant filed a Federal Form 3160-3 for the Bonneville "AKK" Federal No. 3 Well. A Federal Form 3160-3 shall be filed prior to hearing on this Application. Applicant shall give all notices required by the

rules of the Oil Conservation Division upon the filing of this Application.

8. Said location is in compliance with Order No. R-111-P(G)(3)(d), and upon information and belief is not located within any Life of Mine Reserves (LMR) or buffer zone as presently or properly designated with the State Land Office. The permitting of such well will not result in undue waste of potash deposits, or constitute a hazard to or interfere unduly with the mining of potash deposits.

9. A standard 40-acre oil proration unit comprising Unit L of said Section 19 should be dedicated to such well.

10. The approval of this Application will afford applicant the opportunity to produce its just and equitable share of oil, 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 prays:

A. That this Application be set for hearing before an examiner 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 drill its Bonneville "AKK" Federal No. 3 Well at a point on the surface located 660 feet from the South line and 200 feet from the East line of Section 24, Township 21 South, Range 31 East, N.M.P.M., to be bottomed at a

location 1980 feet from the South line and 660 feet from the West line of said Section 19, Unit L, Township 21 South, Range 32 East, N.M.P.M., Lea County, New Mexico, which is reasonably presumed to be productive of oil from the Delaware or intermediate formations.

C. Applicant requests that an expedited order be entered granting such permission in light of the drilling limitation contained in its farmout from Bonneville Fuels Corporation.

D. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 
Ernest L. Carroll

LOSEE, CARSON, HAAS & CARROLL, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210
(505/746-3505)

Attorneys for Applicant

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1A. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>			5. LEASE DESIGNATION AND SERIAL NO. NM-31375	
B. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME ---	
2. NAME OF OPERATOR Yates Petroleum Corporation			7. UNIT AGREEMENT NAME ---	
3. ADDRESS OF OPERATOR 105 South Fourth Street, Artesia, New Mexico			8. FARM OR LEASE NAME Bonneville AKK Federa	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface Unit Letter L; 1980' FSL and 660' FWL At proposed prod. zone			9. WELL NO. 1	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 38 miles northeast of Loving, NM			10. FIELD AND POOL, OR WILDCAT West Lusk Delaware	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)			11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 19-T21S-R32E	
16. NO. OF ACRES IN LEASE 320			12. COUNTY OR PARISH Lea	
17. NO. OF ACRES ASSIGNED TO THIS WELL 40			13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.			20. ROTARY OR CABLE TOOLS Rotary	
19. PROPOSED DEPTH 8500'			22. APPROX. DATE WORK WILL START* ASAP	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3641.5' GR				

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	54.5#	850'	Circulate - 850 sacks
11"	8 5/8"	32.0#	4500'	Circulate - 2500 sacks
7 7/8"	5 1/2"	17 & 20#	TD	Adequate cover

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated. Approximately 4500' of intermediate 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: Native mud to 850'; Brine to 4500' cut Brine to TD.

BOP PROGRAM: BOP will be installed at the offset and tested daily for operational.

Potash Area: See attached letter.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 Clifton R. May TITLE Permit Agent DATE 1-16-92

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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

*See Instructions On Reverse Side

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

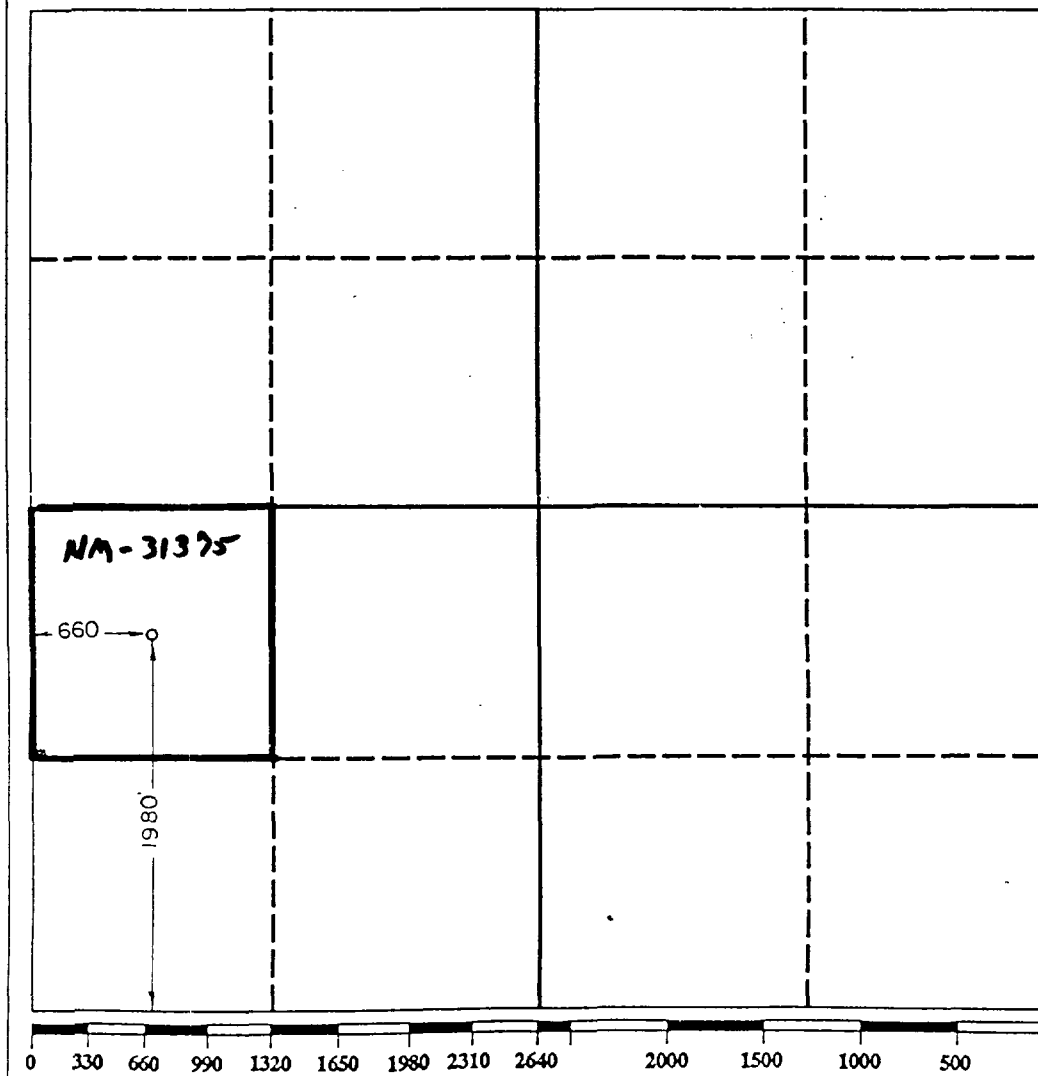
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease BONNEVILLE "AKK" FEDERAL		Well No. 1
Unit Letter L	Section 19	Township 21 SOUTH	Range 32 EAST	County NMPM LEA	
Actual Footage Location of Well: 1980 feet from the SOUTH line and 660 feet from the WEST line					
Ground level Elev. 3641.5	Producing Formation DELAWARE		Pool WEST LARK DELAWARE	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). _____
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature
Clifton R. May
Printed Name
Clifton R. May
Position
Permit Agent
Company
YATES PETROLEUM CORPORATION
Date
January 16, 1992

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 knowledge and belief.

Date Surveyed
1/14/92

Signature & Seal
Professional Surveyor

STATE OF NEW MEXICO
HERSCHEL L. JONES
Professional Surveyor
Certificate No. 3640
CREED LAND SURVEYOR

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

January 9, 1992

Mr. Bob Lane
New Mexico Potash
P.O. Box 610
Hobbs, NM 88241

Dear Mr. Lane:

Yates Petroleum Corporation is the operator of the Oil & Gas Lease NM-31375. We have staked the following location:

Bonneville "AKK" Federal #1
1980' FSL and 660' FWL
Sec. 2-T21S-R32E
Lea County, NM

A Notice of Staking has been filed with Bureau of Land Management.

Would you please look this location over and let me know what you think. We respectfully request that you waive any objection you may have to this proposed well location and so indicate by signing and returning one copy of this letter in the enclosed envelope.

Your favorable consideration of this request will be greatly appreciated. Should you have any questions, please call me at 748-1471.

Sincerely,

YATES PETROLEUM CORPORATION

Clifton R. May
Permit Agent

CRM/tg

NO OBJECTIONS OFFERED

NEW MEXICO POTASH

By: _____
Title: _____
Date: _____

OBJECTIONS OFFERED

NEW MEXICO POTASH

By: _____
Title: _____
Date: _____

YATES PETROLEUM CORPORATION

**Bonneville "AKK" Federal #1
1980' FSL and 660' FWL
Section 19-T21S-R32E
Lea County, New Mexico**

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with BLM requirements.

1. The geological surface formation is Sandy Alluvium.
2. The estimated tops of geologic markers are as follows:

Rustler	804'
Top of Salt	1,136'
Base of Salt	3,384'
Bell Canyon	4,384'
Cherry Canyon	5,452'
Brushy Canyon	7,189'
Bone Springs	8,374'
TD	8,500'

3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 150'
Oil or Gas: 7189' and 8374'

4. Proposed Casing Program:

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Type</u>	<u>Setting Depth</u>
17 1/2"	13 3/8'	54.5#	J-55	ST&C	850'
11"	8 5/8'	32.0#	J-55	LT&C	4500'
7 7/8"	5 1/2'	15.5# & 17#	J-55	LT&C	TD

Surface pipe (0' - 850') will be cemented with 600 sacks C-Lite + 2% CaCl + 1/4 lb/sk Celloseal. Yield 1.76 cu.ft./sk. Weight will be 12.9 lb/gal. Tailed in with 200 sacks C with 2% CaCl + 1/4 lb/sk Celloseal. Yield 1.33 cu.ft./sk. Weight will be 14.8 lb/gal. Quantity sufficient to circulate to surface.

Intermediate pipe (0' - 4500') will be cemented with 1200 sacks C-Lite + 10 lbs/sk salt + 1/4 lb/sk Celloseal. Yield 1.94 cu.ft./sk. Weight will be 12.9 lb/gal. Tailed in with 200 sacks C + 1% CaCl. Yield 1.32 cu.ft./sk. Weight will be 13.8 lb/gal. Quantity will be sufficient to circulate to surface.

Production pipe (0' - 8500') will be cemented with 200 sacks (or sufficient to cover zones of interest) Class H + 5 lb. CSE + .7% CF-14 + 10 lb/sk Gilsonite. yield 1.45 cu.ft./sk. Weight will be 14.4 lb/gal.

5. Pressure Control Equipment: See Form 3160-3 and Exhibit B.
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connections.

8. Testing, Logging and Coring Program:

Samples: Out from under surface casing to TD.

DST's: As warranted.

Coring: None anticipated.

Logging: Dual Induction Laterolog, Gamma Ray/Litho Density, Gamma Ray/Compensated Neutron with Caliper Log.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

**Yates Petroleum Corporation
Bonneville "AKK" Federal #1
1980' FSL and 660' FWL
Section 19-T21S-R32E
Lea County, New Mexico**

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 38 miles northeast of Loving, New Mexico, and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go southeast out of Carlsbad, New Mexico on Highway 285 to 31. Go east on 31 to 128 (Jal Hwy). Go approximately 16 miles to Red Road (County Road 802). Turn north and go approximately 9 miles on the pavement. Will be a Lea County 29 sign. Stay on pavement and continue for approximately 5 miles. New access will start here and go east to the southwest corner of the pad.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 550' in length from the point of origin to the southwest edge of the drilling pad. The new road will lie in a easterly direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. One traffic turnout will be built.
- D. The route of the road is visible.
- E. One cattleguard will be needed.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The pit located in the E/2SW/4 of Section 12-T22S-R31E on BLM lands unless dirt contractor finds a closer source.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.
- G. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been levelled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP: Federal Surface administered by BLM (Carlsbad, NM)

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Clifton R. May, Permit Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:

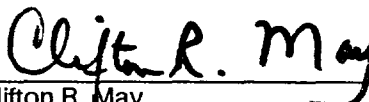
Mike Slater, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

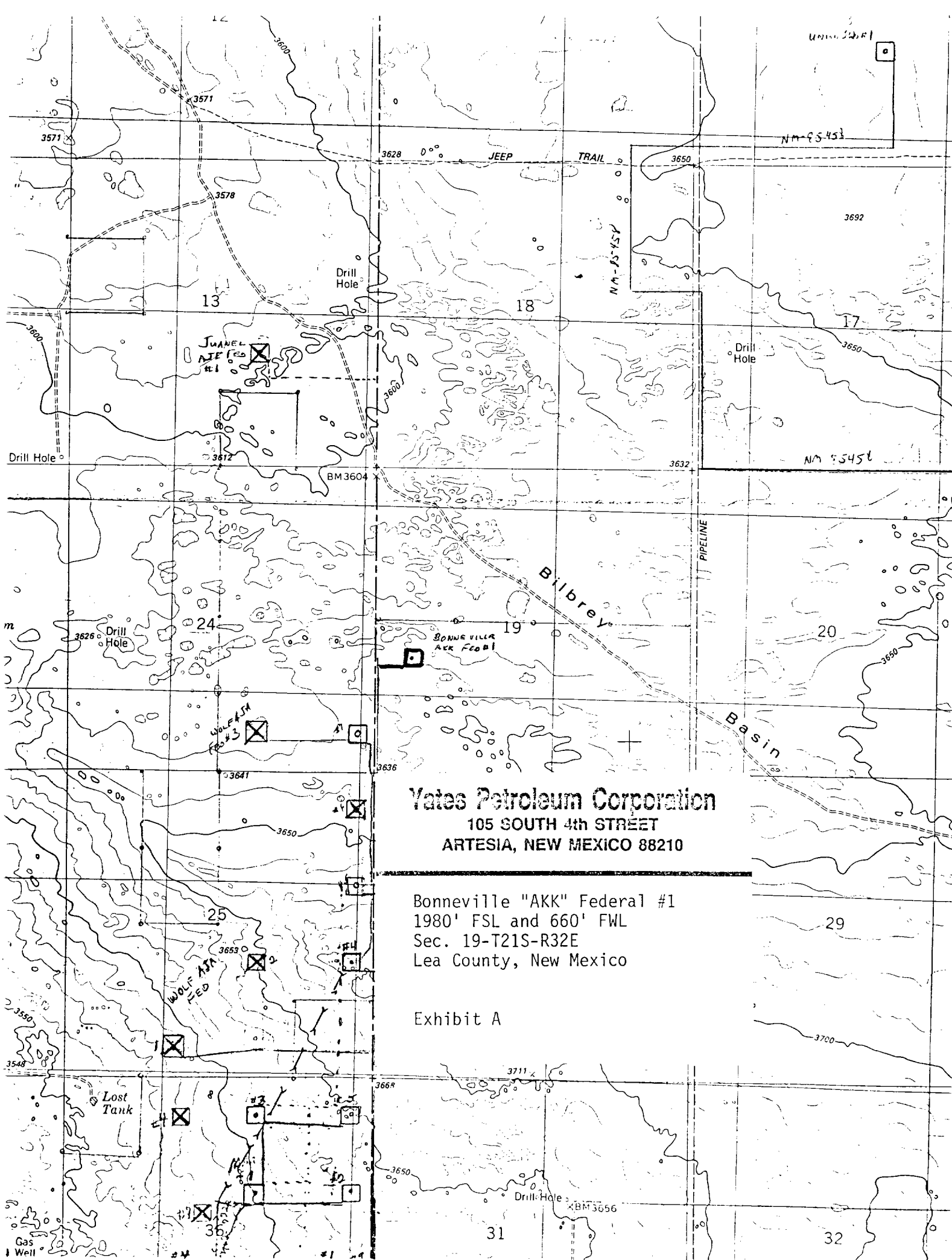
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

1-16-92

Date



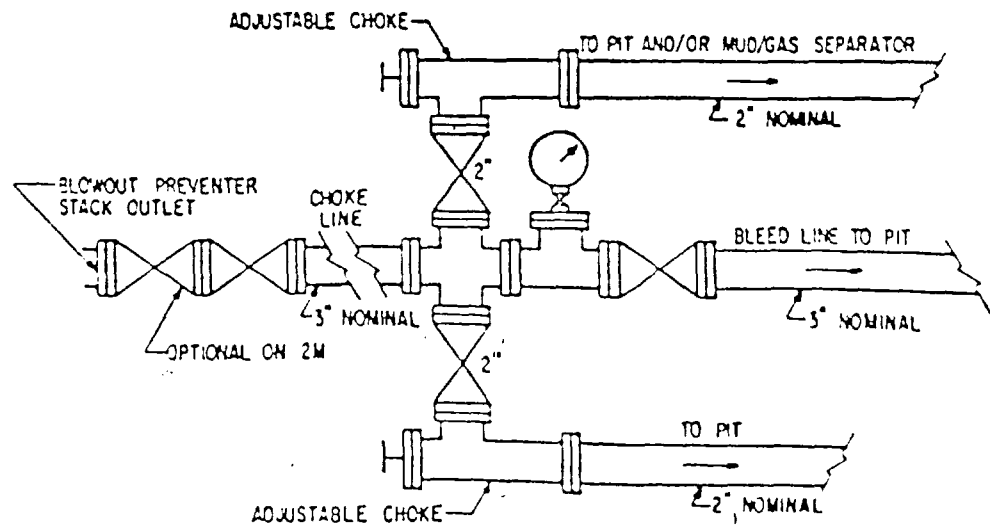
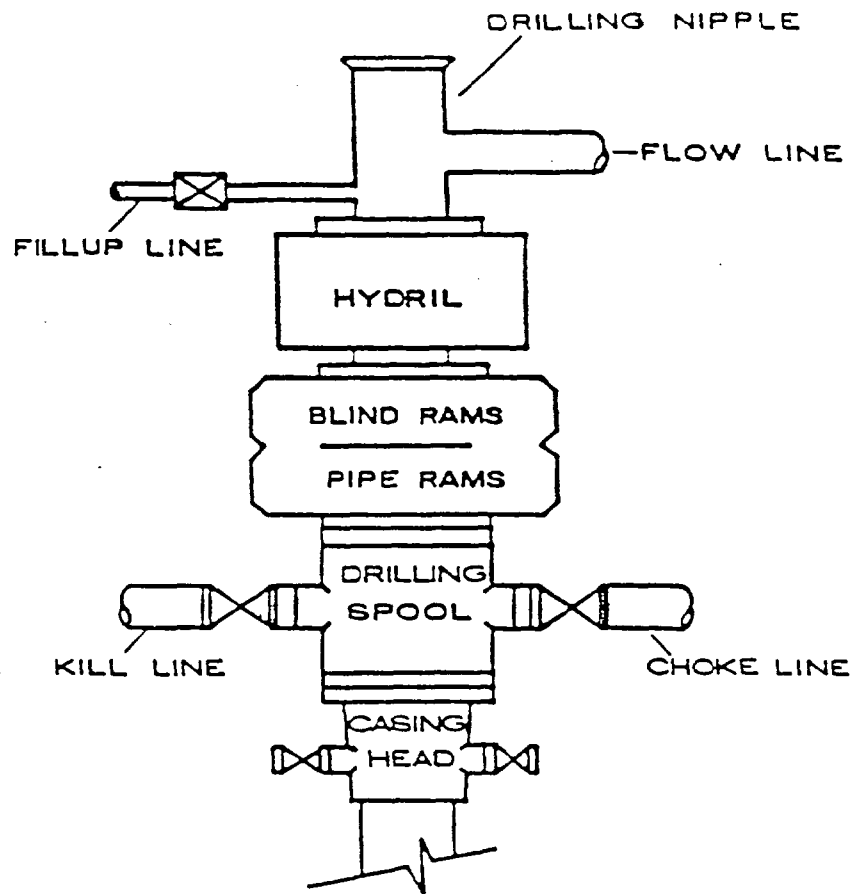
Clifton R. May
Permit Agent

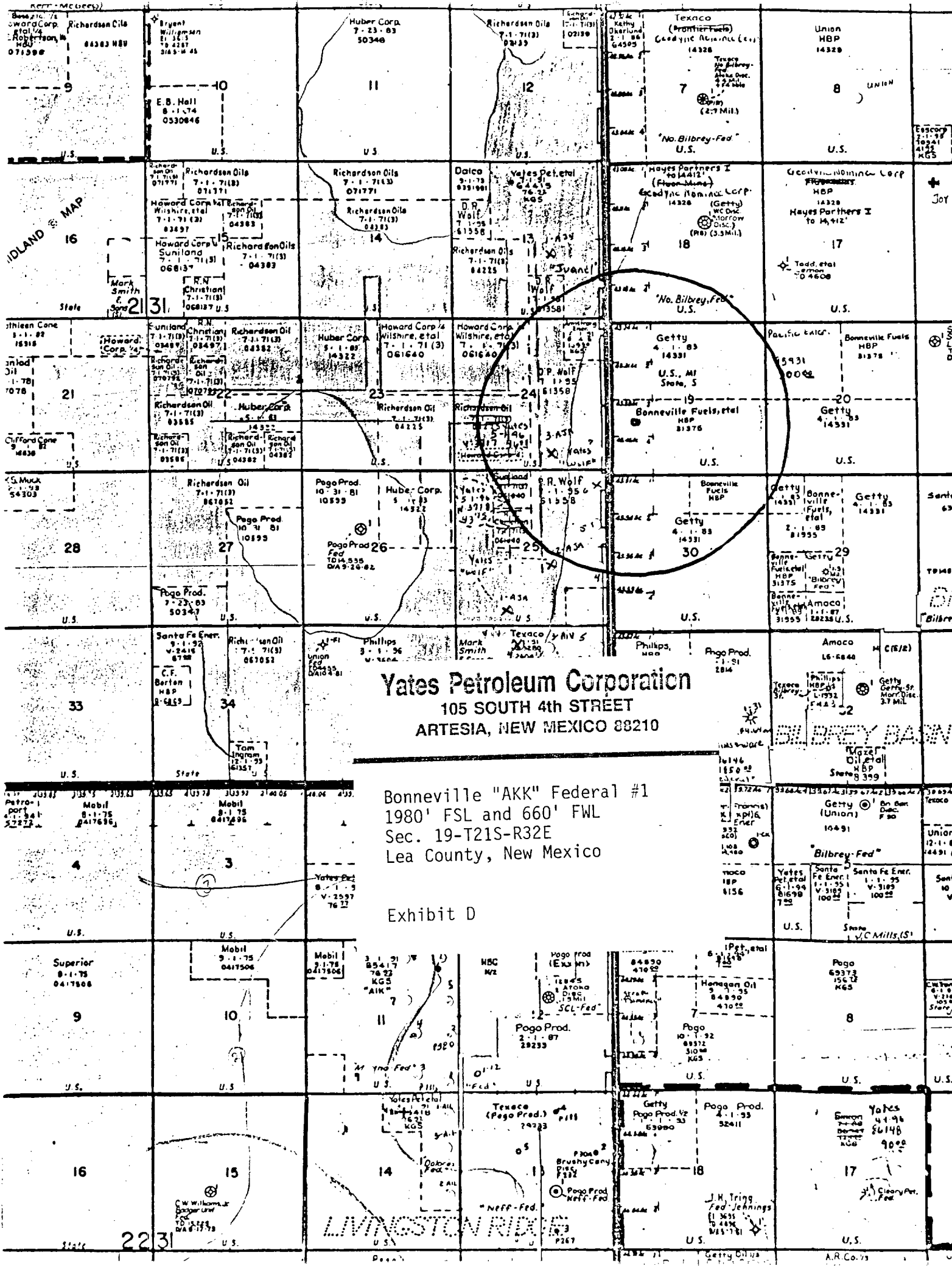


Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Bonneville "AKK" Federal #1
1980' FSL and 660' FWL
Sec. 19-T21S-R32E
Lea County, New Mexico

Exhibit A

BOP STACK



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

Bonneville "AKK" Federal #1
1980' FSL and 660' FWL
Sec. 19-T21S-R32E
Lea County, New Mexico

Exhibit D