NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - Convenient is Mandatory for ALL Administrative Application & Cover Sheet This coverient is Mandatory for ALL Administrative Application & Cover Sheet This coverient is Mandatory for ALL Administrative Applications for according [DD-Oirectional Drilling] [BD-Simulfaneous Dedication] [DD-Oirectional Drilling] [BD-Simulfaneous Dedication] [DD-Oirectional Drilling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [DD-Oirectional Drilling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [DD-Oirectional Drilling] [PMX-Pyrsus Maintenance Expansion] [SWD-Dath Water Disposal] [PMX-Pyrsus Maintenance Expansio			,	7	<i>:-</i> /			1			7.51
NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau -	DATE IN	1/26/9	99	SUSPENSE 2//6	5/99	ENGINEER	<u>m5</u>	LOGGED BY	KV	TYPE	NSL
ADMINISTRATIVE APPLICATION COVER SHEET THIS COVERMENT IS MANGATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REQULATIONS Application Apronymes: [INSP-Non-Standard Proration Unit] [INSI-Non-Standard Location] [DHC-Spwinhole Commingling] [CT8-Lesse Commingling] [PLC-Pool/Lease Commingling] [DHC-Spwinhole Commingling] [CS-OH-Lesse Storage] [OLN-OH-Lesse Measurement] [WFX-Waterflood Expansion] [PMX-Pysisure Maintenance Expansion] [SWS-Bait Water Disposal] [PPR-Poolitive Production Response] [WFX-Waterflood Expansion] [PMX-Pysisure Maintenance Expansion] [SWS-Bait Water Disposal] [PMX-Pysisure Maintenance Expansion] [SWS-Bait Water Disposal] [PMX-Pysisure Maintenance Expansion] [SWS-Bait Water Disposal [PMX-Pysisure Maintenance Expansion] [SWS-Bait Water Disposal [PMX-Pysisure Maintenance Expansion] [A] Location - Spacing Unit - Directional Drilling [A] Location - Spacing Unit - Directional Drilling [B] Commingling - Storage Measurement [DRC CTB PHC PC OLS OLM [C] Injection Disposal Pressure Increase Enhanced Oil Recovery [WFX PMX SWD IPI EOR PPR [C] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply [A] Working, Royalty or Overriding Royalty Interest Owners [B] Offset Operator, Leaseholders or Surface Owner [C] Application is One Which Requires Published Legal Notice [D] Notification and/or Concurrent Approval by BLM or SLO [D] Notification and/or Concurrent Approval by BLM or SLO [D] Notification and/or Concurrent Approval by BLM or SLO [D] Sowee of Level Manageric Commission of Pade Legal Notice [E] For all of the above, Proof of Notification or Publication is Attached, and/or, [F] Waivers are Attached [3] INFORMATION / DATA SUBMITTED IS CONPLETE - Statement of Understanding I hereby certify that it, or personnel under my supervision, have read and complied with all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinen informat					· · · · · · · · ·	BOVE THIS LINE FO	R DIVISION USE ON	ily ————			
THIS COVERNEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND RESULATIONS Application Acronymes: [INSP-Non-Standard Proration Unit] [INSL Non-Standard Location] [IDHO-Directional Drilling] [SD-Simulfaneous Dedication] [IDHO-Directional Drilling] [IDHO-Directional Drilling] [PIC-Pool/Lease Commingling] [IDHO-Directional Drilling] [IDHO-Directional Drilling] [IDHO-Directional Drilling] [PIC-Pool/Lease Commingling] [IDHO-Directional Drilling] [IDHO-Direction Responsion] [ISMD-Sait Water Disposal] [IPH-Pipicetion Pressure Increase] [IDHO-DIRECTION - Check Those Which Apply for [A] [IDHO-DIRECTION - Check Those Which Apply for [A] [IDHO-DIRECTION - Check Those Which Apply for [A] [IDHO-DIRECTION - Check Those Which Apply or [A] [IDHO-DIRECTION - Check Those Which Apply or [A] [IDHO-DIRECTION - Check Those Which Apply, or [IDHO-DIRECTION - Check Those Which Apply, or [IDHO-DIRECTION - Check Those Which Apply or [IDHO-DIRECTION - Check Those Which Apply, or [IDHO-DIRECTION - Check Those Which Apply, or [IDHO-DIRECTION - Check Those Which Apply or [1		NEW	MEXICO				ISION	Zinsa	o BNG Fed. Hy
Application Appropriate INSP-Non-Standard Proration Unit] [INSL-Non-Standard Location] [DD-Directional Drilling] [CTB-Lesse Commingling] [PLC-Pool/Lesse Commingling] [DD-Orrectional Drilling] [CTB-Lesse Commingling] [PLC-Pool/Lesse Commingling] [DD-Orrectional Drilling] [CDB-Orrections Response] [PD-Figure National Expansion] [EWR-Y-waterlood Expansion] [INSL-Non-Standard Location New Y-waterlood Expansion] [INSL-Non-Standard Response] [INSL-Non-Standard Response] [INSL-Non-Standard Response] [INSP-Poolitys-Production Response] [INSL-Non-Standard National Drilling] [INSL-Non-Standard Nati			AD	MINIST	RATIV	E APPL	.ICATI	on çó	VER SI	HEET	
[NSP-Non-Standard Proration Unit] [NSL-Ston-Standard Location] [DPO-Orectional Drilling] [DPO-Orectional Drilling] [PCP-ool Commingling] [PCP-ool Commingling] [PCP-ool Commingling] [PCP-ool Commingling] [PMS-Stat Water Disposal] [PMS-Prissure Maintenance Expansion] [SWD-Salt Water Disposal] [PMS-Prissure Maintenance Expansion] [SWD-Salt Water Disposal] [PPR-Positive Production Respansion] [SWD-Salt Water Disposal] [PPR-Positive Production Production Production Respansion] [SWD-Salt Water Disposal] [PPR-Positive Production Production Respansion] [PPR-Positive Production Respansion] [PPR-Positive Production Production Respansion] [PPR-Positive Production Respansion] [PPR-Positive Production Respansion] [PPR-Positive Production Production Respansion] [PPR-Positive Production Production Respansion] [PPR-Positive Production Production Production Production Respansion] [PPR-Positive Production Production Production Production Production Respansion] [PPR-Positive Production Production Production Production Respansion] [PPR-Positive Production Production Production Respansion] [PPR-Positive Production Production Production Production Respansion] [PPR-Positive Production Production Production Respansion] [PPR-Positive Production Respansion] [PPR-Positive Production Respansion] [PPR-Positive Pro	TH	IIS COVERS	HEET IS A	MANDATORY FOR	ALL ADMINIS	FRATIVE APPL	ICATIONS FO	R EXCEPTION	S TO DIVISION	RULES ANI	REGULATIONS
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response] [1] TYPE OF ARPLICATION - Check Those Which Apply for [A] [A] Location - Spacing Unit - Directional Drilling [S NSL	Applic	[DHC-	Downh C-Poel	[NSP-Non-Sta [DD-Dire ole Comming Commingling	etional D ling] [C j] [OLS	rilling] TB-Lease - Off-Leas	(SD-Simul) Commingi • Storage	(anoous D ling) [Pi] [OLM-	edication] .C-Pool/Les Dff-Lease R	ise Comi Neasurei	
[A] Location - Spacing Unit - Directional Drilling NSL		[EOR	1	[SWD-Salt	Water Dis	sposal] [IPI-jjijecti	on Pressu	re increas		spanse]
B Commingling - Storage Measurement Commingling Commin	[1]	TYPE	[A]	Location - S	pacing Un NSP	it - Directi	onal Drilli	for [A]	Adra:	N N	N 26 PM 4
WFX				Comminglin	ig - Storag	e Measur				2-11-	1 kg = 0
[A] Working, Royalty or Overriding Royalty Interest Owners [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 Menagement - 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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I asset; that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinen information and any required notification is cause to have the application package returned with no action taken.			[C]		- //8				•		
[A] Working, Royalty or Overriding Royalty Interest Owners [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 Menagement - 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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I asset; that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinen information and any required notification is cause to have the application package returned with no action taken.	[2]	NOTI	FICAT	ION REOUI	RED TO:	- Check T	hose Whic	ch Apply. o	or 🖾 Does 1	Not Appl	v
[C] Application is One Which Requires Published Legal Notice [D] Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Manageriant - 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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinen information and any required notification is cause to have the application package returned with no action taken.	[-]				72000					· · · · · · · · · · · · · · · · · · ·	,
[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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that/I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.			[B]	Offset Of	perators L	easeholder	s or Surfac	ce Owner			
[E] For all of the above, Proof of Notification or Publication is Attached, and/or, [F] Waivers are Attached [3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that /I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.			[C]	Applicati	on is One	Which Red	quires Pub	lished Leg	al Notice		
[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that /I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.			[D]	Notificati	ion and/or reau of Land Me	Concurren	nt Approva	I by BLM lic Lands, State (or SLO and Office		
[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.			[E]	For all of	the above	, Proof of	Notificatio	on or Publi	cation is At	tached, a	and/or,
I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.			[F]	Waivers	are Attach	ed					
Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinen information and any required notification is cause to have the application package returned with no action taken.			, j	Ÿ			VIII.				•
Note: Statement must be completed by an individual with supervisory capacity.	Regularization of Regularizati	ations of val is acc) is com	the Oi urate ar mon. I	I Conservation of complete to understand the complete to understand the control of the control o	n Division the best of that any on cation is ca	n. Further of my know nission of ause to hav	r, I assert ledge and data (include the appl	that the at where app iding API ication pac	tached app licable, veri numbers, p ckage return	lication in the second code with	for administrative Il interest (WI, RI es, etc.), pertinen

William F. Carr William F. Carr Type Name Signature Attorney Title Date

CAMPBELL, CARR, BERGE 8 SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN
KATHERINE M. MOSS

JACK M. CAMPBELL OF COUNSEL JEFFERSON PLACE

SUITE I - IIO NORTH GUADALUPE

POST OFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208

TELEPHONE: (505) 988-4421 FACSIMILE: (505) 983-6043

E-MAIL: ccbspa@ix.netcom.com

January 26, 1999

HAND-DELIVERED

Lori Wrotenbery, Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources 2040 South Pacheco Street Santa Fe, New Mexico 87505 99 JAN 26 PH 4: 3

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Zingaro ANG Federal Well No. 4, to be located 1500 feet from the North line and 1550 feet from the West line of Section 1, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico

Dear Ms. Wrotenbery:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Zingaro ANG Federal Well No. 4 to be drilled in the Upper Penn (Cisco-Canyon) and the Morrow formations at an unorthodox well location 1500 feet from the North line and 1550 feet from the West line of Section 1, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. A standard 640-acre spacing and proration unit comprised of Section 1 will be dedicated to the well.

Lori Wrotenbery, Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources January 26, 1999 Page 2

The well will be drilled to a depth of approximately 9900 feet to test the dolomite of the Upper Pennsylvanian (Cisco-Canyon) formation and the sands of the Morrow formation. This location in the Upper Pennsylvanian and Morrow formations is unorthodox because Rule 4 the Special Pool Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool (Order No. R-2440) and Rule 4 of the Special Pool Rules and Regulations for the Indian Basin-Morrow Gas Pool (Order No. R-2441) provide for wells on 640-spacing units to be located no closer than 330 feet to any governmental quarter-quarter section line.

This unorthodox location is required by topographic conditions. Yates originally proposed this well at a standard location 1650 feet from North and West lines of Section 1. However, when Yates' field personnel met at the well site with representatives of the Bureau of Land Management, the BLM felt the slope was too steep at the original location and required the well to be moved to the current unorthodox location.

Attached hereto as Exhibits A through C are a geological explanation for this well and attached sand map and production map. These exhibits show that the unorthodox location is supported by the geology of the subject formations.

Attached hereto as Exhibit D is a plat which shows the subject area, the 640-acre spacing unit comprised of all of Section 1 and the proposed unorthodox location. Since this location is only unorthodox to an interior quarter-quarter section line, there are no adjoining or diagonal spacing units towards which the well location encroaches. Accordingly, there are no affected parties to whom this application needs to be provided.

Lori Wrotenbery, Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources January 26, 1999 Page 3

Your attention to this application is appreciated.

V¢ry truly yours,

WILLIAM F. CARR

Attorney for Yates Petroleum Corporation

Enclosures

cc:

Janet Richardson

Yates Petroleum Corporation 105 South Fourth Street

Artesia, New Mexico 88201

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



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

RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

S. P. YATES CHAIRMAN OF THE BOARD JOHN A. YATES

DESIDENT

PEYTON YATES

EXECUTIVE VICE PRESIDENT

GEOLOGICAL EXPLANATION OF THE ZINGARO "ANG" FEDERAL #4

The Zingaro "ANG" Fed. #4 is proposed at an unorthodox location 1500' FNL and 1550' FWL in section 1 of Township 22 South - Range 23 East, Eddy County, New Mexico. The location was chosen because of topographic and geologic reasons.

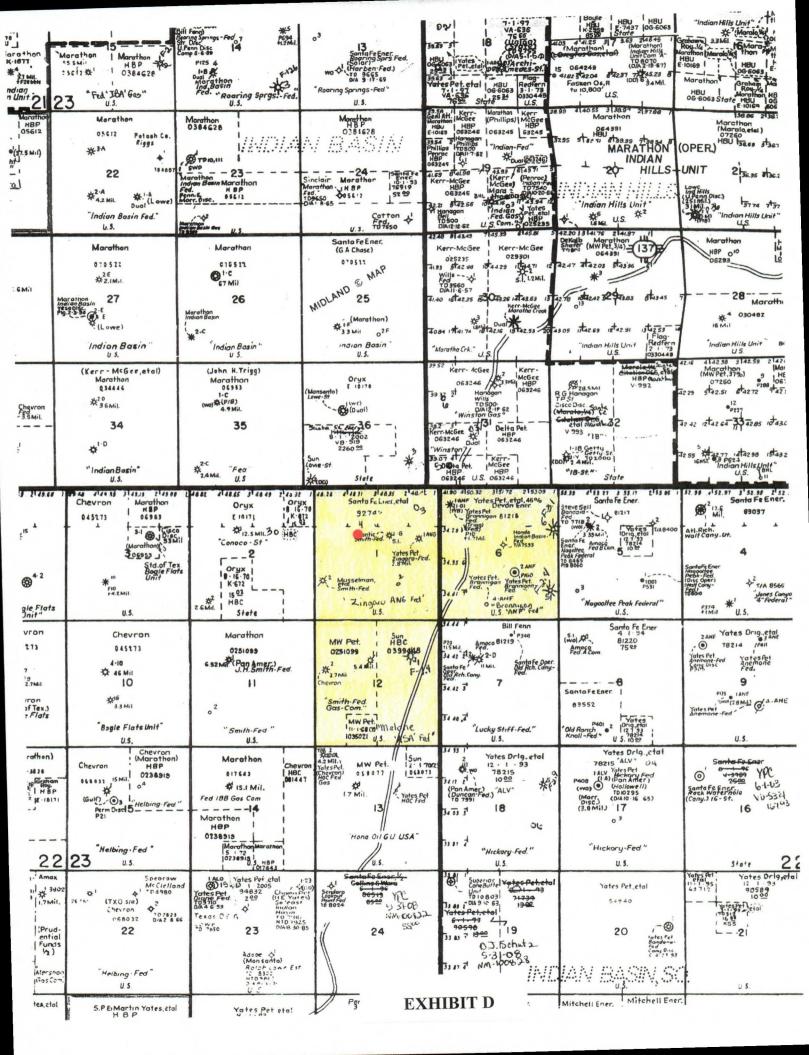
The primary objectives are to test the dolomite of the Upper Penn (Cisco-Canyon) and the sands of the Morrow Formation. Secondary objectives include the Atoka, Strawn, Wolfcamp, and Yeso.

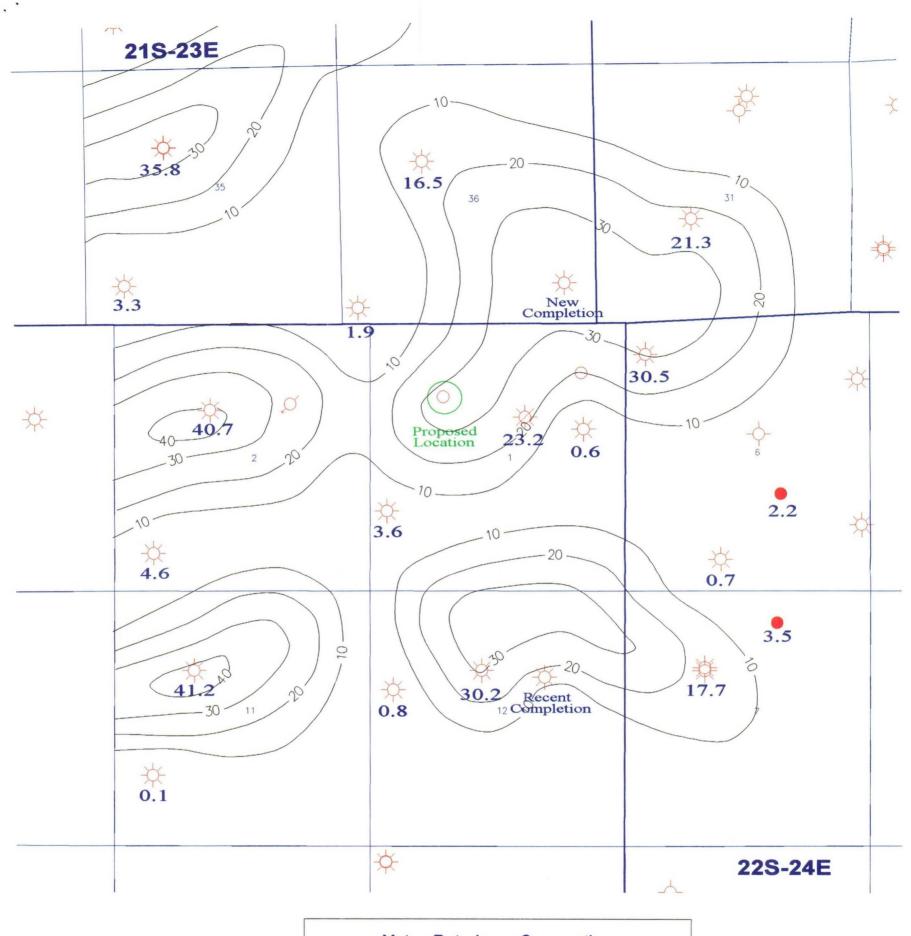
Yates originally sought an orthodox location 1650' FNL and 1650' FWL in section 1, but after meeting with the BLM it was determined the original location could not be granted because of topographic concerns. The BLM did grant the proposed location (1500' FNL & 1550' FWL).

The sand map represents sands of the Morrow Clastics section and shows the limits of sand deposition within a fluvio-deltaic environment. The sand map is a "clean sand" map with a gamma ray cutoff of 50 API units or less. The map shows several north-south sand thicks with one trending through the proposed location. The thickest section of the sand trends should yield the best chance to encounter reservoir quality porosity and permeability. The slightly unorthodox location is within the thicker part of the sand. If the location had been moved further south and/or east sand thickness would be lost.

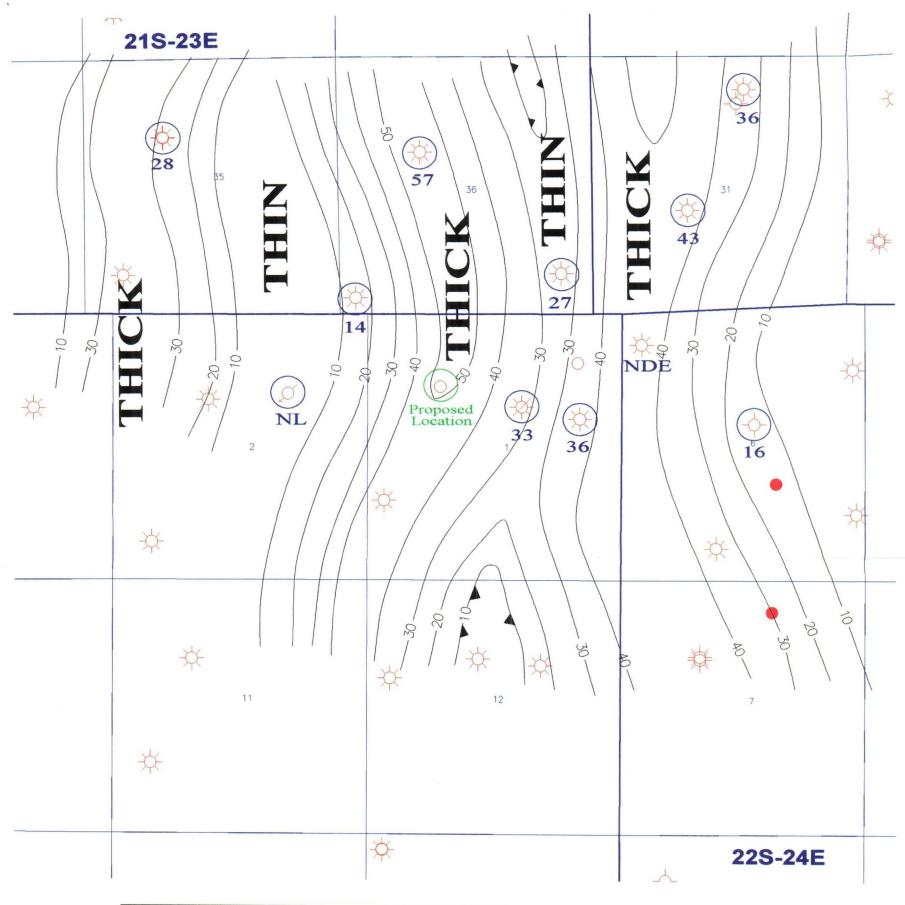
The cumulative production map shows production "sweet spots" from the Upper Penn dolomite. The Upper Penn dolomite is present throughout the mapped area and productive wells can be drilled into the dolomite in this area (most of the wells on the map have produced from the Upper Penn), but the highly productive wells occur in "sweet spots". The proposed location should be present in a "sweet spot".

In summary, the unorthodox location was chosen over an orthodox location because of topographic concerns. The location should have sufficient sand thickness in the Morrow for economic reserves and should encounter a productive "sweet spot" in the Upper Penn dolomite.





Yates Petroleum Corporation Indian Basin Area Cumulative Production Map Upper Penn Production in BCF Geol: Brent May TFIBCUMP.gpf Scale 1:24000. T. Fuentes



Yates Petroleum Corporation Indian Basin Area Sand Map Morrow Clastics Section Geol: Brent May GR ≤ 50 API 1/21/99 TFIBCNTR.gpf Scale 1:24000. T. Fuentes

Morrow Penetration