

**PURE ENERGY OPERATING, INC.**

*PMESD-626762649*

153 TIMBERLINE, SUITE 200  
SAN ANTONIO, TEXAS 78209

OFFICE: 210-226-6700

FAX: 210-930-3967

1 September 2006

2006 SEP 22 AM 11 18

Mr. Michael E. Stogner  
Engineering/Hearing Officer  
State of New Mexico  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Application of Pure Energy Operating, Inc. for Administrative Approval of an Unorthodox Well Location for its Aztec 26 Federal Com # 1 Well to be located 660 feet from the South Line and 2280 feet from the West Line (Unit N) of Section 26, Township 10 South, Range 25 East, NMPM, Chaves County, New Mexico.

Dear Mr. Stogner:

Pure Energy Operating, Inc., hereby, seeks administrative approval pursuant to the provisions of Division rule 19.15.3.104 (C) (3) for an unorthodox gas well location for the above referenced gas well in the Abo Formation (Pecos Slope Abo-Gas Pool, 82730), and any other potentially productive gas pools spaced on 160 acres and governed by the Divisions Statewide Rules.

A Standard 160-acre spacing and proration unit comprised of the SW/4 of Section 26 shall be dedicated to the well, this location is unorthodox because Rule 104 (C) (3) of the General Rules of the Division provides that Gas Wells shall be located on a designated drilling tract consisting of 160 acre surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract not closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

Pure Operating, Inc. was forced to move the location of the captioned well 300 feet to the east of the originally staked, 1980' FWL, location to 660' FSL and 2280' FWL by Richard Hill with the BLM due to a canyon on the west side of the original location as evidenced by the enclosed Topographical Map marked Exhibit "B".

The captioned well is drilled on Federal Lease # NM-07306, the only affected party is Yates Petroleum Corporation who is participating as a Working Interest partner in the subject well and also operates the well to the east located in the SE/4 of Section 26 which this well encroaches. The well operated by Yates in the SE/4 is the Anchita AZE Federal Com # 1 and is located 660' FSL and 990' FEL. Therefore, Yates Petroleum is the only operator affected. Yates Petroleum Corporation waiver is attached hereto.

Attached are the required documents to support your approval of this application and we would appreciate your immediate attention and Administrative Approval.

Should you have any questions please contact me.

Sincerely,



C. Wendel Schoenberger  
Land Supervisor for Pure Energy Operating, Inc.  
P. O. Box 2604  
Midland, Texas 79702

Office: 432-685-0563  
Fax: 432-683-7804

Attachments:

- C-102 showing the acreage dedicated to the well and the revised staked location.
- Topographic Map showing the revised location of the subject well.
- Waiver from Yates Petroleum Corporation.
- Administrative Application Checklist.
- Other backup documents

30-005-63800

8:45 AM  
8-30-2006

- Talked to Wendell w/ Pure
- is submitting a refile of their  
mea

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

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



**ADMINISTRATIVE APPLICATION CHECKLIST**

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 \_\_\_\_\_

2006 SEP 22 AM 11 19

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

C. Wendel Schoenberger \_\_\_\_\_ Land Supervisor \_\_\_\_\_ 20 August 06 \_\_\_\_\_  
 Print or Type Name Signature Title Date

\_\_\_\_\_ wendelsch@cox.net \_\_\_\_\_  
 e-mail Address

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I  
1624 N. FRANCIS DR., SOUTHE, NM 86244

DISTRICT II  
1201 W. GRAND AVENUE, ARIZONA, NM 86210

DISTRICT III  
1000 Rio Bronson Ed., ALAMO, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised JUNE 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 82730	Pool Name Pecos Slope Abo
Property Code	Property Name AZTEC 26 FEDERAL	Well Number 1
OCRD No. 194930	Operator Name CABAL ENERGY CORPORATION	Elevation 3751'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
N	26	10-S	25-E		660	SOUTH	2280'	WEST	CHAVES

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 160	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><b>OPERATOR CERTIFICATION</b></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>Lindsay Truesdell</i> Signature</p> <p>Lindsay Truesdell Printed Name</p> <p>Consultant Title</p> <p>October 7, 2005 Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></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>GARY E. EDSON</i> Signature &amp; Seal of Professional Surveyor</p> <p>SEPTEMBER 22, 2005 Date Surveyed</p> <p>12641 Signature &amp; Seal of Professional Surveyor</p> <p>05.11.1461</p> <p>Certificate No. GARY EDSON 12841</p>

EXHIBIT "C"

p4

432-882-0441

Lindsay

Aug 28 09 04 56p

PURE OPERATING, INC.

OPERATORS NAME: ~~Cabal Energy Corporation~~ LEASE NO.: NM-07306  
WELL NAME & NO: ~~Aztec 26 Federal #1~~ AZTEC 26 FEDERAL #1  
QUARTER/QUARTER & FOOTAGE: SE $\frac{1}{4}$ /SW $\frac{1}{4}$  - 660' FSL & 2280' FWL  
LOCATION: Section 26, T. 10 S., R. 25 E., NMPM  
COUNTY: Chaves County, New Mexico



EXHIBIT "B"

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (505) 748-1471

S.P. YATES  
CHAIRMAN EMERITUS  
JOHN A. YATES  
CHAIRMAN OF THE BOARD  
PEYTON YATES  
PRESIDENT  
FRANK YATES, JR.  
EXECUTIVE VICE PRESIDENT  
JOHN A. YATES, JR.  
SENIOR VICE PRESIDENT

September 12, 2006

Mr. Wendel Schoenberger  
Pure Energy Operating, Inc.  
P. O. Box 2604  
Midland, TX 79702

Re: Unorthodox Location  
Aztec 26 Federal Com. #1  
Township 10 South-Range 25 East, NMPM  
Section 26: SW/4  
660' FSL and 2,280' FWL  
Chaves County, New Mexico

Dear Mr. Schoenberger:

Pure Energy Operating, Inc. has requested from Yates Petroleum Corporation a waiver to the drilled location of the captioned well so that it may get the unorthodox location for the caption well approved by the New Mexico Oil Conservation Division. Yates Petroleum Corporation is willing to give Pure Energy Operating, Inc. a waiver for their captioned well which is drilled at an unorthodox location of 660' FSL and 2,280' FWL in Section 26 of Township 10 South, Range 25 East, NMPM, conditioned on Pure Energy Operating, Inc. granting a similar waiver for a well to be drilled at an unorthodox location in the SE/4 of Section 26 of Township 10 South, Range 25 East, NMPM. The waiver by Pure Energy Group, Inc. shall permit Yates Petroleum Corporation to drill a well at an unorthodox location of its choosing in the SE/4 of Section 26 of Township 10 South, Range 25 East, NMPM, in the future.

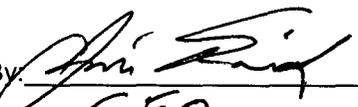
Therefore, this letter, when signed by an officer of Pure Energy Operating, Inc., shall serve as a waiver by Yates Petroleum Corporation for the unorthodox location for the captioned well and a waiver by Pure Energy Operating, Inc., its successors and assigns, as a waiver for an unorthodox location in the SE/4 of Sec. 26-T10S-R25E, NMPM.

Agreed to and accepted this 12<sup>th</sup> day of September, 2006

YATES PETROLEUM CORPORATION

By:   
Its: President  
Date: September 12, 2006

PURE ENERGY OPERATING, INC.

By:   
Its: CEO  
Date: 9-19-06

RANDY G. PATTERSON  
VICE PRESIDENT

DAVID L. LANNING  
ASSISTANT VICE PRESIDENT

DENNIS G. KINSEY  
TREASURER

08/28/2006 17:16

2109303967

PEG

PAGE 03

N.M. Oil Cons. DIV-Dist. 2  
 1301 W. Grand Avenue  
 Artesia, NM 88210

Form 3160-3  
(April 2004)

UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT

AUG 17 2005

FORM APPROVED  
 OMB No. 1004-0137  
 Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No NM 07306
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator Cabot Energy Corporation		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 415 West Wall Street, Suite 1700 Midland, Texas 79701		8. Lessee Name and Well No. Aztec 26 Federal #1
3b. Phone No. (include area code) 432-687-0440		9. API Well No. 30-005-6380
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 660' PSL & 1988 FWL At proposed prod. zone Same as Above		10. Field and Pool, or Exploratory Pecora Slope Abo 82730
14. Distance in miles and direction from nearest town or post office* 7 miles east of Roswell, New Mexico		11. Sec., T. R. M. or BLM and Survey or Area Sec 26, T10S, R25E
15. Distance from proposed* location to nearest property or lease line. ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease 960	12. County or Parish Chaves
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease. ft. 1910'	19. Proposed Depth 5,500'	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3741'	22. Approximate date work will start* 08/30/2005	17. Spacing Unit dedicated to this well 160
24. Attachments		20. BLM/BIA Bond No. on file NM 2860
23. Estimated duration 20 Days		

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

23. Signature <i>Lindsay Truesdell</i>	Name (Printed/Typed) Lindsay Truesdell	Date 07/27/2005
Title Consultant		

Approved by (Signature) <i>/S/LARRY D. BRAY</i>	Name (Printed/Typed) /S/LARRY D. BRAY	Date NOV 18 2005
Title ROSWELL FIELD OFFICE APPROVED FOR 1 YEAR		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
 Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make in any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

NSL-

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

APPROVAL SUBJECT TO  
 GENERAL REQUIREMENTS AND  
 SPECIAL STIPULATIONS ATTACHED

Drill only NSL required to produce well - OCD



NEW MEXICO ENERGY, MINERALS and  
NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**Mark E. Fesmire, P.E.**  
Director  
Oil Conservation Division

December 13, 2005

ABZ 30-005-63800

**Cabal Energy Corporation**  
415 West Wall Street  
Wilco Building - Suite 1700  
Midland, Texas 79701

Attention: **Lindsay Truesdell**

**Re:** *Your recent administrative application (administrative application reference No. pSEM0-534035390) for an exception to Rule 4 of the "Special Rules and Regulations for the Pecos-Slope Aho Gas Pool," as promulgated by Division Order No. R-9976-C, dated March 19, 1996, as amended by Division Order No. R-9976-D, issued in Case No. 13057 on February 4, 2004, for Cabal Energy Corporation's proposed Aztec "26" Federal Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South line and 2280 feet from the West line (Unit N) of Section 26, Township 10 South, Range 25 East, NMPM, Pecos Slope-Aho Gas Pool (82730), Chaves County, New Mexico.*

Dear Ms. Truesdell:

Per our brief telephone conversation this afternoon (Tuesday, December 13, 2005), the subject application is hereby withdrawn and is being returned to you.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

MS/ms

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Roswell

Oil Conservation Division \* 1220 South St. Francis Drive \* Santa Fe, New Mexico 87505  
Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <http://www.emnrd.state.nm.us>