

3/19/08 DATE IN	SUSPENSE	Brooks ENGINEER	3/20/08 LOGGED IN	NSL TYPE	PKUR0808028922 APP NO
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5810

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Yates Petroleum Corp.
Oreck BDO Com#1

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 _____
- [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

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[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.

W. Lucky Briggs Lucky Briggs Associate Landman 3/4/08
 Print or Type Name Signature Title Date

e-mail Address

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

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DIRECTOR

March 18, 2008

New Mexico Oil Conservation Division
Engineering Bureau
1220 South Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Mark Fesmire

Re: Administrative Application of Yates Petroleum Corporation for Approval of an Unorthodox Gas Well Location, Chaves County New Mexico

Dear Mr. Fesmire:

Yates Petroleum Corporation in accordance with Division General Rule 104.F applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location for any and all gas production for its proposed Oreck BDO Com #1 well to be drilled at an unorthodox gas well location of 1780 feet from the East line and 2150 feet from the North line (Unit G) of Section 21, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico and to be dedicated to a E/2 spacing unit for all formations that require a 320 acre spacing unit and the NE/4 for all formations that require a 160 acre spacing unit, and in support states:

- 1) Yates Petroleum Corporation (Yates) is the operator of subject proposed well and is a working interest owner in the E/2 of Section 21, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico. (See Exhibit A & B enclosed)
- 2) Yates proposes to drill its Oreck BDO Com #1 at an unorthodox gas well location of 1780 feet from the East line and 2150 feet from the North line (Unit G) of Section 21, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico. (See Exhibit A enclosed)
- 3) The subject well is to be drilled at an unorthodox location for two reasons. There is a gas pipeline located to the northeast at the orthodox location and because the geology of the area indicates we need to be structurally higher for the Siluro-Devonian dolomite as explained in Exhibit C. Also enclosed to explain the geology is a Structural Cross Section Datum (Exhibit D) and a Siluro-Devonian Time Map (Exhibit E) provided by our geological department.
- 4) In the event the Siluro-Devonian is not capable of commercial production in this well, then Yates intends to test viable formations up the hole, including the Wolfcamp formation and the Abo formation which will also be unorthodox at this location.

NSL-5810

POLO SLOPE ABO FOR 82730 160
FOOK RANCH PRO PGM 602 76730 320
WC 602 76750

30-05-64003

- 5) The leases on which the well will be drilled (in the northeast quarter of Section 21, Township 10 South, Range 26 East, NMPM of Chaves County, New Mexico) encompasses:
 - a. In the case of completion of a well requiring 320 acre spacing unit (E/2) – Two (2) Fee leases in the NE/4 and Federal Lease NM-21494 in the SE/4.
 - b. In the case of completion of a well requiring 160 acre spacing – only the two (2) Fee leases in the NE/4.
- 6) The spacing units that will be encroached by placement of the well at 2150 feet from the North line and 1780 feet from the East line of Section 21 will include:
 - a. In the case of completion of a well requiring 320 acre spacing unit – no outside spacing units will be encroached as the encroachment will to the centerline of the E/2 spacing of Section 21, Township 10 South - Range 26 East.
 - b. In the case of completion of a well requiring 160 acre spacing - the encroachment will occur upon the SE/4 of Section 21, Township 10 South - Range 26 East which contains Federal Lease NM-21494. Yates Petroleum Corporation is operator under the existing Operating Agreement.
- 7) As required by Rule 19.15.3.104.D.(2)(c), the affected persons are identified in Exhibit B.
- 8) The affected persons have been simultaneously notified of our intent to drill this well in an unorthodox location.

Wherefore, Yates Petroleum Corporation requests that this matter be approved administratively by the Division.

Respectfully submitted,

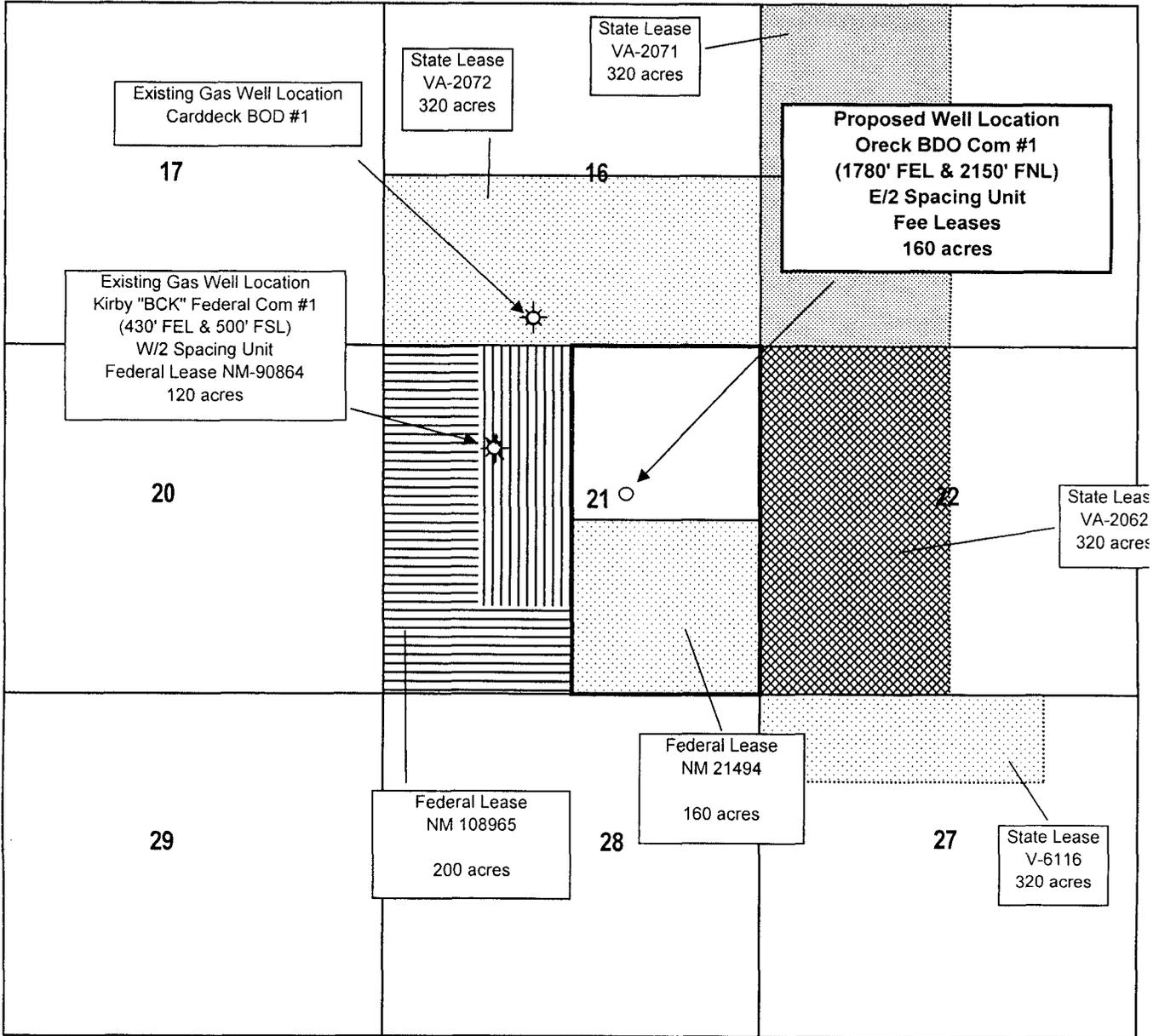
YATES PETROLEUM CORPORATION


W. "Lucky" Briggs
Associate Landman

Enclosures

Exhibit A
Plat

Oreck BDO Com #1
(Township 10S-Range 26E-Section 21)
Chaves County, NM



**Exhibit B
Affected Parties**

**Oreck BDO Com #1
Township 10 South, Range 26 East, NMPM
Section 21 - E/2
Chaves County, NM**

Tract 1 (NE/4)

Fee Leases	Lessee:	Warren Resources, Inc. (Operator)	123 West 1st Street, Suite 505 Casper, WY 82601
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Overriding Royalty Interests Owners:	Madison M. Hinkle, whose wife is Susan Hinkle	P.O. Box 2292 Roswell, NM 88202-2292
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	Rolla R. Hinkle, III, whose wife is Rosemary Hinkle	P.O. Box 2292 Roswell, NM 88202-2292
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Tract 2 (SE/4)

BLM Lease NM-21494	Lessees:	Yates Petroleum Corp. (Operator) Yates Drilling Company Myco Industries, Inc. Abo Petroleum Corporation	105 South Fourth Street Artesia, NM 88210-2118
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Royalty Interests Owner:	Bureau of Land Management	2909 W. 2nd Street Roswell, NM 88201 Attn: Angel Mayes
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Overriding Royalty Interests Owners:	Alene Dalley, John Tilley and The Liberty Bank & Trust Company of Oklahoma City, Trustees of the William B. Scheidt Living Trust dated 5/3/95	P.O. Box 99084 Fort Worth, TX 76199-0084 Attn: Treva Johnson
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No 11/10/05
March 10/06*

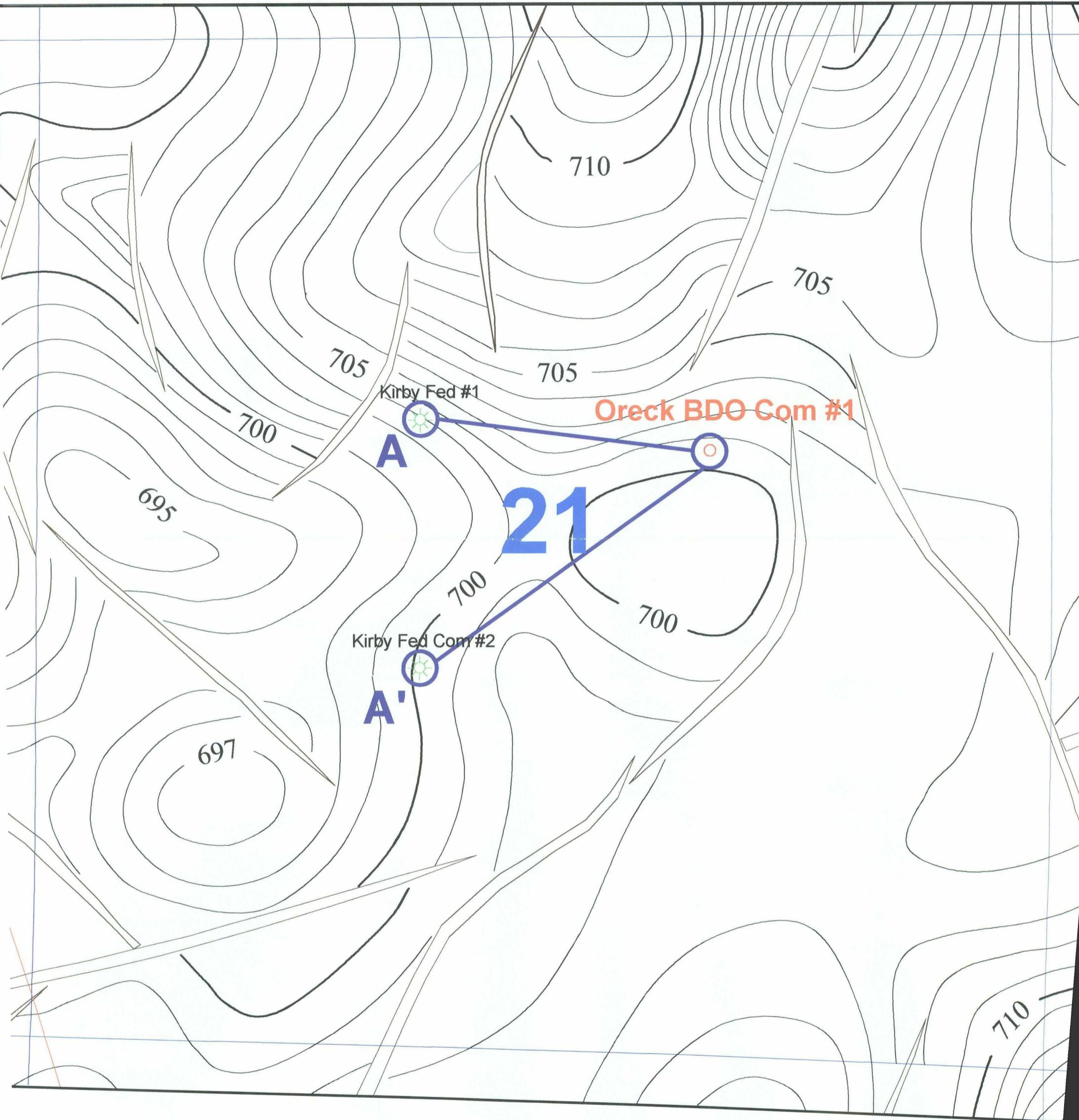
Exhibit C

Oreck BDO Com #1 2,150' FNL & 1,780' FEL Section 21, T10S-R26E

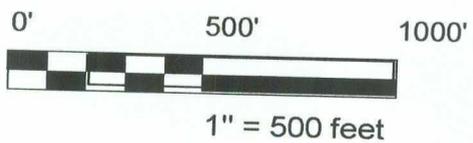
Yates Petroleum Corporation proposes drilling the Oreck BDO Com #1 at an unorthodox location of 2,150 feet FNL & 1,780 feet FEL in section 21, T10S-R26E. The proposed total depth is 6,000 feet, which will adequately test the Siluro-Devonian formation.

There are two reasons for placing the Oreck BDO Com #1 at an unorthodox location. There is a gas pipeline to the northeast at an orthodox location and the Siluro-Devonian Time Seismic Structure map depicts the better location to be at our proposed unorthodox location. The Siluro-Devonian Time Seismic Structure map shows that the Kirby Federal #1 and the Kirby Federal Com #2 to the west and southwest are situated at a seismic time, structural position of around 700 milliseconds on the flank of an eastward trending structural nose that is surrounded by faults. Both the Kirby Federal #1 and the Kirby Federal Com #2 have produced good quantities of gas from the Siluro-Devonian. The Kirby Federal #1 has produced 1.6 BCF from September 2003 through February 2008, while the Kirby Federal Com #2 has produced 199 MMCF from September 2007 through February 2008. The A-A" Structural Cross-Section and the Siluro-Devonian Time Seismic map both show that the proposed Oreck BDO Com #1 would be basically close to the same structural position as the Kirby Federal #1 to the west and the Kirby Federal Com #2 to the southwest and the Oreck BDO Com #1 would slightly be on the flank of this eastward trending structural nose that both Kirbys are situated on. The Kirby Federal #1 is slightly higher structurally than the Kirby Federal Com #2 and the proposed Oreck BDO Com #1 as shown by the A-A" Cross-Section and the Siluro-Devonian Time Seismic Structure Map.

Yates Petroleum Corporation believes that by placing the Oreck BDO Com #1 at this unorthodox location of 2,150 feet FNL & 1,780 Feet will enhance the probability that the Siluro-Devonian will be as productive or better than the Kirby Federal #1 and the Kirby Federal Com #2.



Siluro-Devonian Time Map



		
ORECK PROPOSED LOCATION T -10S R - 26E Sec. 21 Chaves Co., New Mexico		
Author: RICHARD CONLEY	Scale: 1" = 500'	Date: 5 March, 2008
	C.I. = 1 ms	File: Oreck Proposed Loc.dsf

