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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
 OIL CONSERVATION
 DIVISION

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
- [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.

Chuck Moran Chuck Moran Landman 11-03-03
 Print or Type Name Signature Title Date
cmoran@ypcnm.com
 e-mail Address

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 OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 4, 2003

CERTIFIED MAIL/RETURN RECEIPT

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Michael E. Stogner

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

Dear Mr. Stogner:

Yates Petroleum Corporation in accordance with Division General Rule 19 NMAC 15.C.104.F applies to the New Mexico Oil Conservation Division for approval of an unorthodox well location for any and all oil or gas production from surface to the base of the Siluro-devonian formation for its proposed Houston BDH State Com. #2 to be drilled at an unorthodox gas well location of 1,550 feet from the North line and 2,500 feet from the West line (Unit F) of Section 31, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico and to be dedicated to a 320 acre spacing unit consisting of the N/2 of Section 31, and in support states:

- 1) Yates Petroleum Corporation (Yates) is the proposed operator of subject well and is a working interest owner in the N/2 of Section 31. (See Exhibit # 1 and #4)
- 2) Yates proposes to drill its Houston BDH State Com. #2 at an unorthodox oil and gas well location of 1,550 feet from the North line and 2,500 feet from the West line (Unit F) of Section 31, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico. (See Exhibit # 2)
- 3) The subject well is to be drilled at an unorthodox location in an attempt to drill the best geological location to determine the potential to produce gas from the formations that require a 320 acre spacing unit. (See Exhibit # 3)
- 4) In the event the Siluro-devonian is not capable of commercial production in this well, then Yates intends to test all possible oil and gas formations above the Siluro-devonian formation prior to plugging the well. The well location would be

unorthodox for formations that require a 160-acre spacing unit for gas and 40-acre spacing for oil.

- 5) The lease on which the well will be drilled will be communitized with the other lease in the spacing unit to form a 320.12-acre spacing unit dedicated to this well in the N/2 of Sec. 31-T9S-R27E for formations that require a 320 acre spacing unit. For a gas well completed in the NW/4 of Section 31-T9S-R27E requiring 160 acre spacing unit, a 160.12-acre spacing unit would be formed and for oil wells requiring a 40 acre spacing unit a 40-acre spacing unit in the SE/4NW/4 of Sec. 31-T9S-R27E would be formed.
- 6) The proposed location only encroaches to the interior lease lines of Section 31 and the lease that is encroached on to the East is identified on Exhibit #1 and the owners are identified on Exhibit #4. Waivers have been requested from affected persons as defined by 19 NMAC 15.N.1207.A.2 and will be forwarded to the Division if obtained. (See Exhibit # 1 and #4)
- 7) Notice of this application was mailed the same date as this application to all affected persons identified in Exhibit #4 as required by the Division's rules by certified mail, return receipt requested and is verified by Exhibit #5.

Wherefore, Yates Petroleum Corporation requests that the Division approve this matter administratively.

Respectfully submitted,

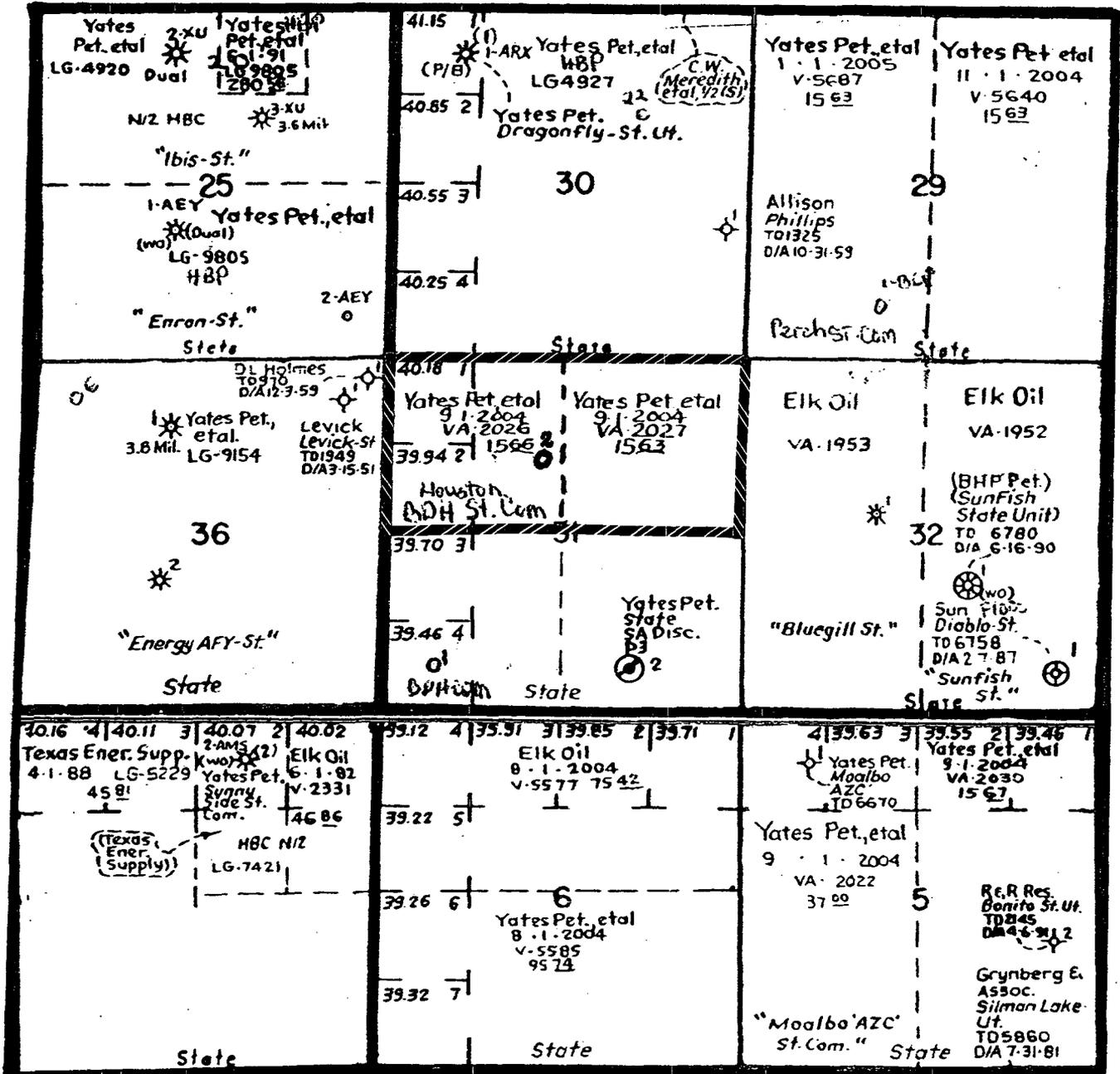
YATES PETROLEUM CORPORATION



Chuck Moran
Landman

Enclosure:

Exhibit #1
 Yates Petroleum Corporation
 Houston BDH State Com. #2
 N/2 of Sec. 31-T9S-R27E
 Chaves County, New Mexico
 Unorthodox Location Application



DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87508

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name HOUSTON "BDH" STATE COM.	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3881

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	31	9S	27E		1550	NORTH	2500	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	Joint or Infill	Consolidation Code	Order No.

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>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>	
	<p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>10/28/2003</p> <p>Date Surveyed _____</p> <p>Signature & Seal of Professional Surveyor _____</p> <p>Certificate No. Herschel L. Jones RLS 3640</p> <p>HOUSTON 2</p> <p>PROFESSIONAL LAND SURVEYING COMPANY</p>	

Exhibit #2
Yates Petroleum Corporation
Houston BDH State Com. #2
N/2 of Sec. 31-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

Non-Standard Location Proposal
1550 FNL & 2500 FWL
31-9S-27E

This proposed location in 31-9S-27(1550 FNL & 2500 FWL) is a non-standard one. The reason for this non-standard location is a geologic one. A 3-D seismic survey was conducted over this section and the 3-D data revealed that the best place to encounter productive Siluro-Devonian dolomite was at this non-standard location.

Sincerely,

H. Tim Miller

H. Tim Miller

**Exhibit #3
Yates Petroleum Corporation
Houston BDH State Com. #2
N/2 of Sec. 31-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application**

Exhibit #4
Yates Petroleum Corporation
Houston BDH State Com. #2
N/2-Sec. 31-T9S-R27E
Unorthodox Well Location Application

List of Affected Persons by Spacing Unit
surrounding the N/2 of Section 31-T9S-
R27E, Chaves County, New Mexico.

**1) S/2 of Section 31-T9S-R27E and N/2
of Section 31-T9S-R27E**

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Elk Oil Company
Attn: Mr. Joe Kelley
P. O. Box 310
Roswell, NM 88202-0310

Genesis Limited Partnership
Attn. Steve Speer
P. O. Box 1363
Mt. Pleasant, SC 29465-1363

Elliott-Hall Company Limited
P. O. Box 1231
Ogden, Utah 84402

Elliott Industries Limited
P. O. Box 3300
Roswell, NM 88202-3300

NMR, INC.
Attn: James Vandiver
P. O. Box 782
Gaylord, MI 49734

Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Elk Oil Company
Attn: Mr. Joe Kelley
P. O. Box 310
Roswell, NM 88202-0310

Genesis Limited Partnership
Attn. Steve Speer
P. O. Box 1363
Mt. Pleasant, SC 29465-1363

Elliott-Hall Company Limited
P. O. Box 1231
Ogden, Utah 84402

Elliott Industries Limited
P. O. Box 3300
Roswell, NM 88202-3300

NMR, INC.
Attn: James Vandiver
P. O. Box 782
Gaylord, MI 49734

SLR Oil and Gas Investments
Attn: Jim Bowman
801 E. 4th Street, Suite 22
Gillette, Wyoming 82716-4061

2) W/2 of Section 32-T9S-R27E

Operator-

Elk Oil Company
Attn: Mr. Joe Kelley
P. O. Box 310
Roswell, NM 88202-0310

3) S/2 of Section 29-T9S-R27E

Operator- Yates Petroleum Corporation

Working Interest Owners-

Yates Petroleum Corporation

4) S/2 of Section 30-T9S-R27E

Operator- Yates Petroleum Corporation

Working Interest Owners:

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation

Exhibit #4
Yates Petroleum Corporation
Houston BDH State Com. #2
N/2-Sec. 31-T9S-R27E
Unorthodox Well Location Application

Sharbro Oil Ltd. Co.
Yates Industries, LLC
105 South 4th Street
Artesia, New Mexico 88210

MAGI, Inc.
3300 North A. St., Building 4
Suite 104
Midland, TX 79705

5) S/2 of Section 25-T9S-R26E

Operator- Yates Petroleum Corporation

Working Interest Owners:

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

T. H. Mcelvain Oil and Gas
Limited Partnership
1050 17th Street, Suite 1800
Denver, CO 80265

J. M. Raymond, Ltd.
P. O. Box 291445
Kerrville, TX 78029-1445

John C. Stanfield
2314 Maxwell
Midland, TX 79705

6) All of Section 36- T9S-R26E

Operator- Yates Petroleum Corporation

Working Interest Owners:

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

George B. Broome
P. O. Box 2148
Santa Fe, NM 87504-2148

Patricia M. Friedman
425 Park Avenue
New York, NY 10022

J. Roger Friedman
425 Park Avenue
New York, NY 10022

Michael M. Gray
P. O. Box 50391
Midland, TX 79701-0391

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



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DENNIS G. KINSEY
TREASURER

November 4, 2003

CERTIFIED MAIL/RETURN RECEIPT

TO: OWNERS ATTACHED ON EXHIBIT A

Re: Administrative Application of Yates Petroleum Corporation
For Approval of an Unorthodox Oil and Gas Well Location
Houston BDH State Com. #2
1,550' FNL & 2,500' FWI in N/2 of Sec. 31-T9S-R27E
Chaves County, New Mexico

Gentlemen:

I enclose a complete copy of Yates Petroleum Corporation's administrative application for approval of an unorthodox location. We request that you that you sign one copy of this letter waiving objection to this location, and return it to our office. Alternatively, if you object to our application, your objection must be filed in writing within 20-days from the date the New Mexico Oil Conservation Division receives this Application. We have mailed the application to the same date we mailed this notice to you.

If you have questions concerning our proposal, please give me a call.

Very truly yours,

YATES PETROLEUM CORPORATION


Chuck Moran
Landman

Enclosure

I / We waive objection to the unorthodox application of Yates Petroleum Corporation for its Houston BDH State Com. #2 well to be drilled at a location of 1,550' FNL and 2,500' FWL in Section 31-T9S-R27E, Chaves County, New Mexico.

Name: _____
By: _____
Its: _____

Exhibit #5
Yates Petroleum Corporation
Houston BDH State Com. #2
N/2 of Sec. 31-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application

Exhibit "A" Notification Letter

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

NMR, Inc.
P. O. Box 782
Gaylord, MI 49734
#7002 0860 0006 7054 1019

MAGI, Inc.
3300 North A. St., Building 4
Suite 104
Midland, TX 79705
#7002 0860 0006 7054 1590

Elliott-Hall Company Limited
P. O. Box 1231
Ogden, UT 84402
#7002 0860 0006 7054 1002

T. H. McElvain Oil and Gas
Limited Partnership
1050 17th Street, Suite 1800
Denver, CO 80265
#7002 0860 0006 7054 1583

SLR Oil & Gas Investments
P. O. Box 3300
Roswell, NM 88202-3300
#7002 0860 0006 7054 0999

J. M. Raymond, Ltd.
P. O. Box 291445
Kerrville, TX 78029-1445
#7002 0860 0006 7054 1576

Elk Oil Company
P. O. Box 310
Roswell, NM 88202-0310
#7002 0860 0006 7054 0982

John C. Stanfield
2314 Maxwell
Midland, TX 79705
#7002 0860 0006 7054 1569

Elliott Industries Limited
Partnership
P. O. Box 3300
Roswell, NM 88202-3300
#7002 0860 0006 7054 0975

Michael M. Gray
P. O. Box 50391
Midland, TX 79705
#7002 0860 0006 7054 1606

Genesis Limited Partnership
P. O. Box 1363
Mount Pleasant, SC 29465-1363
#7002 0860 0006 7054 0968

J. Roger Friedman
425 Park Avenue
New York, NY 10022
#7002 0860 0006 7054 0937

George B. Broome
P. O. Box 2148
Santa Fe, NM 87504-2148
#7002 0860 0006 7054 0951

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Sharbro Oil Limited Partnership
Myco Industries, Inc.
Yates Industries, LLC
105 South Fourth St.
Artesia, NM 88210

Patricia M. Friedman
425 Park Avenue
New York, NY 10022
#7002 0860 0006 7054 0944

**Exhibit #5
Yates Petroleum Corporation
Houston BDH State Com. #2
N/2 of Sec. 31-T9S-R27E
Chaves County, New Mexico
Unorthodox Location Application**