



NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505

ABOVE THIS LINE FOR DIVISION USE ONLY

*Yates
East Sand Springs
BGE State Com #9
30-025-36985*

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

Yates Petroleum Corporation
 East Sand Springs BGE State Com 9
 30-025-36985

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 _____

*Pool Rules
R-12514*

[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.

Print or Type Name

Signature

Title

Date

BRIAN WOOD
 (505) 466-8120
 FAX 466-9682

Brian Wood

CONSULTANT

1-21-11

e-mail Address

brian@permitswest.com

**REQUEST FOR ADMINISTRATIVE APPROVAL
NONSTANDARD LOCATION
YATES PETROLEUM CORPORATION'S
EAST SAND SPRINGS BGE STATE COM #9
1040' FNL & 1040' FWL
SECTION 35, T. 10 S., R. 34 E., LEA COUNTY, NM**

I. The well (30-025-36985) is on New Mexico State Land Office (NMSLO) oil and gas lease VA-1347-0000 and private surface. The well bore is 1,040' from the closest lease line. The proposed oil well is nonstandard for the Sand Springs; Permo Upper Penn (Pool 97487).

The well was initially completed in 2006 as a 12,590' deep Sand Springs; Mississippian Gas well (Pool 97125). Acreage dedication was a 320 acre west half standup.

In the 2008, the well was plugged back and it was completed in the Sand Springs; Atoka-Morrow Gas (Pool 84871) from 12,159' to 12,172'. In 2009, it was plugged back a second time and completed a second time in the Sand Springs; Atoka-Morrow Gas from 11,168' to 11,834'.

Yates is now proposing to plug back a third time and complete the well in the Upper Pennsylvanian from 9,972' to 10,015'. Cumulative production from the Mississippian and Atoka-Morrow through October, 2010 was 1,100 barrels of oil and 174,748 Mcf of gas.

The well bore was standard for gas, but is nonstandard for oil. Yates requests a nonstandard location due to topography. Yates wishes to be a good neighbor to the private land owner. Using the existing well avoids new surface disturbance and keeps the well away from a stock tank. In addition, there are nearby karst depressions. The existing pad has proven solid.

The 480 acre state lease comprises the N2 and SE4 Section 35. The well bore could be drilled at 990 FNL & 990 FWL. However, that would encroach on grazing land and move it towards karst depressions and a stock tank.

A standard location must be at least 330' from the quarter-quarter line. The well bore is 280' from the closest quarter-quarter lines (see C-102 as EXHIBIT A). The APD cover sheet is attached as EXHIBIT B.

II. A C-102 form showing the well and 40 acre pro ration unit (NWNW Section 35) is attached as EXHIBIT A.

The oil and gas lease (480 acres) boundary is marked as a solid line on the attached (EXHIBIT C) topographic map. The well bore encroaches too far south and east. All encroachments are part of the same lease. There are no wells of any type in the encroached quarter-quarters. The quarter-quarters are part of the same 480 acre state lease. Yates Petroleum Corporation and its affiliated companies (Yates Drilling) have 100% of the Pennsylvanian working interest in the lease.

There are no Pennsylvanian pro ration units or dedications touching or bordering the proposed pro ration unit. Closest (2,828' northeast) existing or proposed Pennsylvanian well is Yates' Judson AUU State Com 2 at 660 FSL & 1980 FEL 26-10s-34e; API 30-025-36886.

III. The closest (2,828' northeast) existing or approved well of any type is Yates' producing Judson AUU State Com 2 at 660 FSL & 1980 FEL 26-10s-34e; API 30-025-36886. EXHIBIT D shows the proposed NSL well and all other existing (4 producing and 6 P & A wells) or approved (none) wells within 5,280' of Yates' well.

Yates Petroleum Corporation and its affiliated companies have 100% of the Pennsylvania working interest in 6 quarter-quarters of the 9 quarter-quarters including and surrounding the 40 acre pro ration unit (NWNW Section 35). Yates' 6 quarter-quarters are the S2SW4 Section 26 and NW4 Section 35. The remaining 3 quarter-quarters (SESE Section 27 and E2NE4 Section 34) are unleased (currently) State lands. The New Mexico State Land Office is the lessor of all 9 quarter-quarters.

IV. The well site is marked on EXHIBIT A. Pro ration unit (dashed line) for the Pennsylvania oil well is the 40 acres comprising the NWNW Section 35, Township 10 South, Range 34 East, Lea County, NM.

V. The nonstandard location is due to using an existing well bore to minimize surface disturbance.

VI. Archaeology is not an issue.

VII. Surface conditions are an issue. Yates wants to be a good neighbor and minimize surface disturbance. As seen on the air photograph (EXHIBIT E), the well site stays away from a karst depression and stock tank.

VIII. Yates does not believe directional drilling to a standard location is cost effective.

IX. I hereby certify that Yates Petroleum Corporation and its affiliated companies have 100% of the Pennsylvania working interest in the lease which comprises the proposed 40 acre spacing unit and the adjacent quarter-quarters on one or more of the two sides or the single closest corner to the proposed well toward which it encroaches and that the information is current and correct.

I hereby attest that I, on or before the date that the application was submitted to the division, sent notification to the affected persons (see EXHIBIT F) by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the division receives the application. These affected persons have working or royalty interests in quarter-quarters which border the 40 acre spacing unit. None of the affected persons have working interests within 330' of the well bore. Said notice was sent to:

NM State Land Office



Brian Wood, Consultant

1-21-11

Date

STATE OF NEW MEXICO)
) SS:
COUNTY OF SANTA FE)

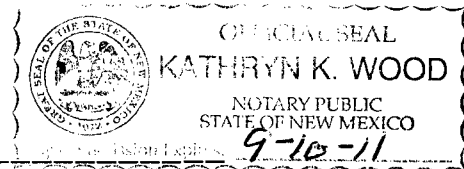
The foregoing instrument was acknowledged before me this 21st day of January, 2011 by Brian Wood. Witness my hand and official seal.

Kathryn K. Wood
Notary Public

My Commission Expires: 9-10-11

Business Address: 37 VERANO LOOP, SANTA FE, NM 87508

cc: May, OCD (Hobbs & Santa Fe)



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

RECEIVED

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised July 16, 2010

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-36985	² Pool Code 97487	³ Pool Name Sand springs Permian Wildcat, Upper Penn
⁴ Property Code 34501	⁵ Property Name East Sand Springs BGE State Com	⁶ Well Number 9
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 4183'GL

¹⁰ Surface Location

UL or lot no. D	Section 35	Township 10S	Range 34E	Lot Idn	Feet from the 1040	North/South line North	Feet from the 1040	East/West line West	County Lea
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¹¹ 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
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¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

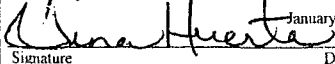
<div><div>16</div><div>1040' W</div><div>1040' N</div></div>				<div><div>¹⁷ OPERATOR CERTIFICATION</div><div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</div><div><div></div><div>January 6, 2011</div></div><div>Signature</div><div>Date</div><div>Tina Huerta</div><div>Printed Name</div><div>tinah@yatespetroleum.com</div><div>E-mail Address</div></div>
				<div><div>¹⁸ SURVEYOR CERTIFICATION</div><div>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.</div><div>Date of Survey</div><div>Signature and Seal of Professional Surveyor:</div><div>Certificate Number</div></div>

EXHIBIT A

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
June 16, 2008

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, NM 88210		² OGRID Number 025575
³ Property Code 34501		⁴ API Number 30 - 025 - 36985
⁵ Property Name East Sand Springs BGE State Com		⁶ Well No. 9
⁹ Proposed Pool 1 sand springs Per Wildcat Upper Penn		¹⁰ Proposed Pool 2

⁷ Surface Location

UL or lot no. D	Section 35	Township 10S	Range 34E	Lot Idn	Feet from the 1040	North/South line North	Feet from the 1040	East/West line West	County Lea
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⁸ Proposed 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
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Additional Well Information

¹¹ Work Type Code P	¹² Well Type Code O	¹³ Cable/Rotary N/A	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4183'GL
¹⁶ Multiple N	¹⁷ Proposed Depth N/A	¹⁸ Formation Mississippian	¹⁹ Contractor N/A	²⁰ Spud Date N/A

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
IN PLACE					

Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation plans to plugback and recompleat this well as follows: MIRU WSU. NU BOP. Release packer and TOH with tubing. Set a CIBP at 11,600' with 35' cement on top. Perforate Upper Penn 9972'-9979' (7) and 10,006'-10,015' (9). Stimulate as needed. Run appropriate production string and turn well to production.

Permit Expires 2 Years From Approval
Date Unless Drilling Underway
Plugback

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Tina Huerta

Printed name: Tina Huerta

Title: Regulatory Compliance Supervisor

E-mail Address: tinah@yatespetroleum.com

Date: January 6, 2011

Phone: 575-748-4168

OIL CONSERVATION DIVISION

Approved by:

[Signature]

Title:

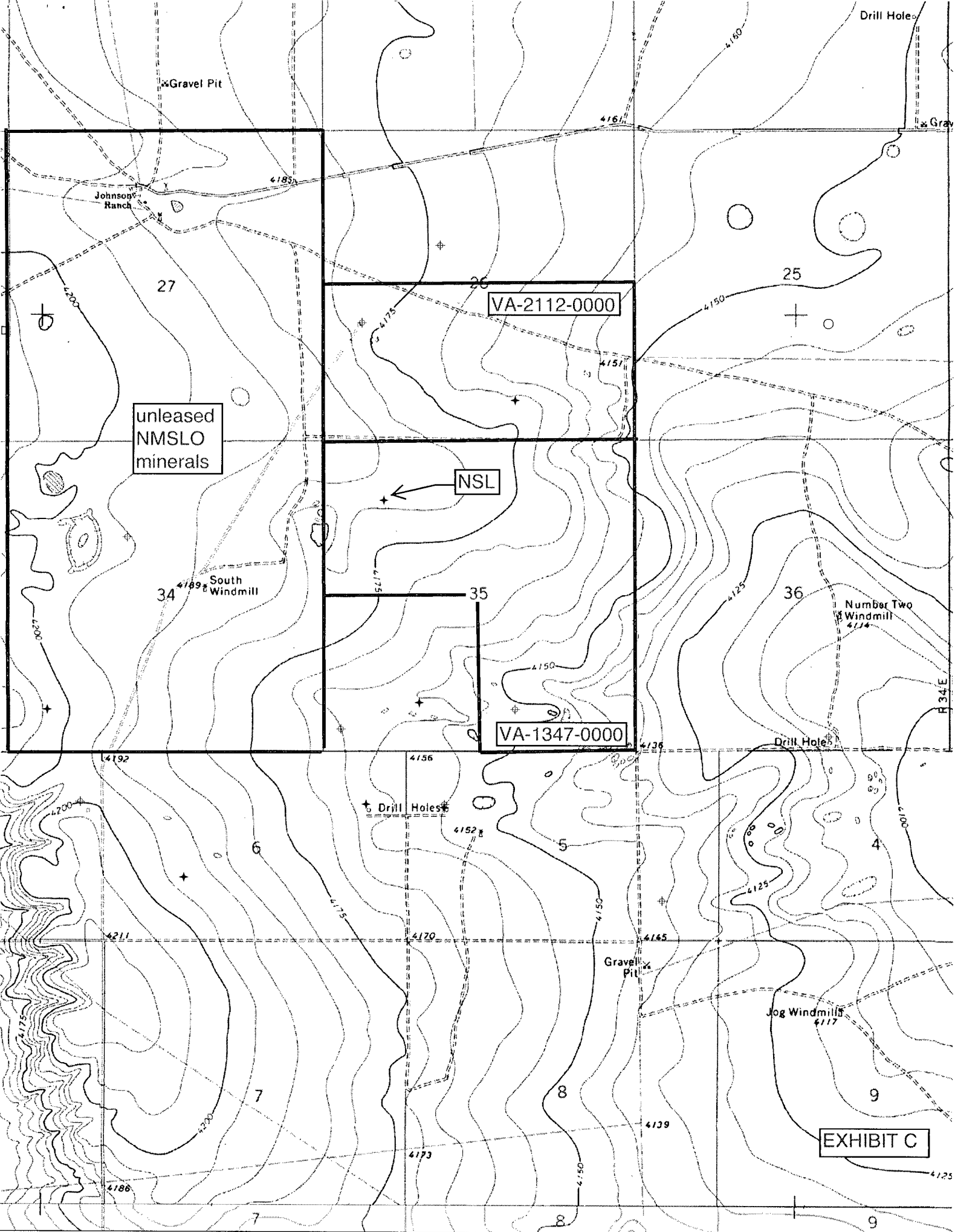
PETROLEUM ENGINEER

Approval Date: JAN 18 2011

Expiration Date:

OCD CONDITION OF APPROVAL for Drilling:
Intent to drill ONLY --- CANNOT produce until the Non-Standard
Location has been approved by OCD Santa Fe office.

EXHIBIT B



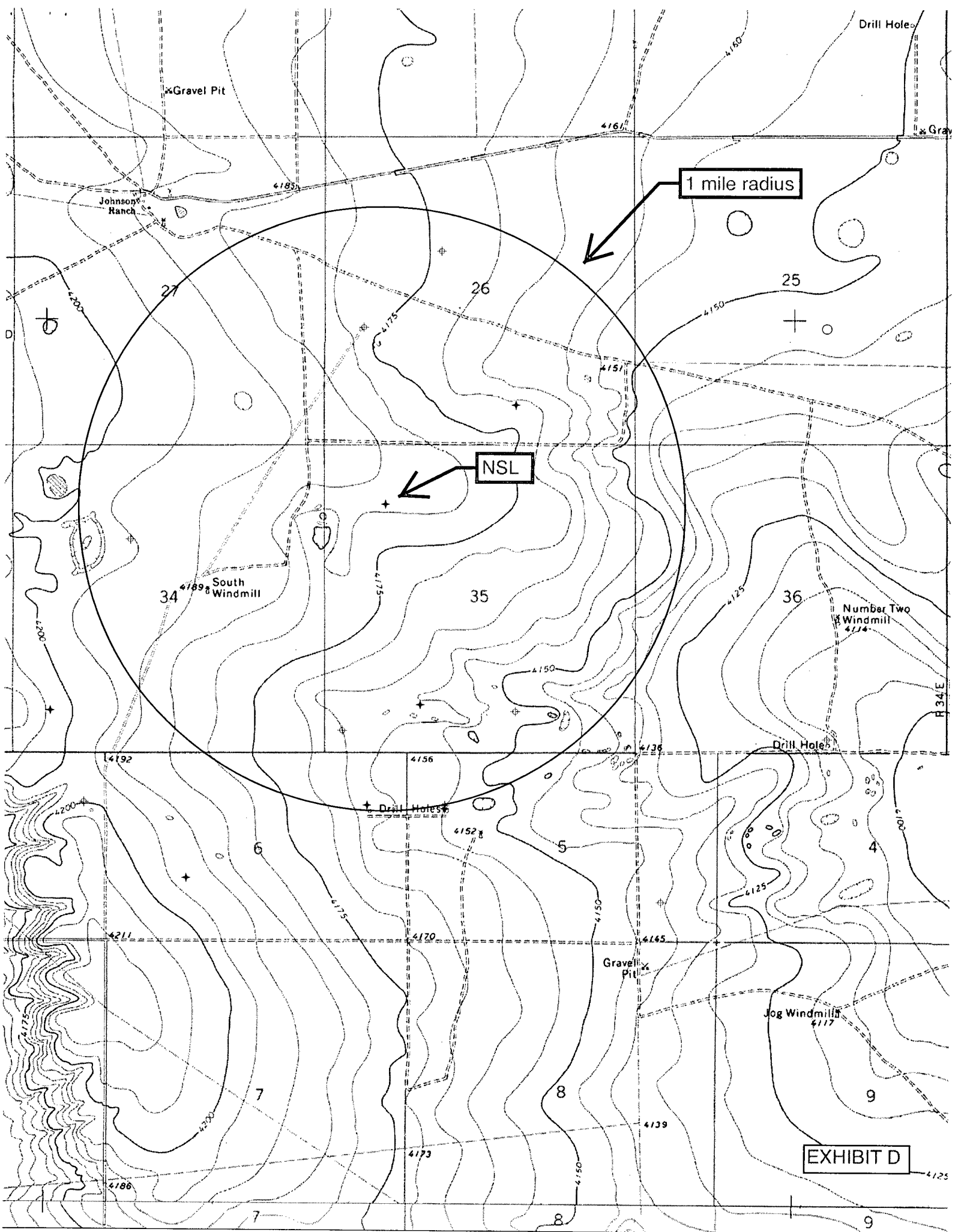
unleased
NMSLO
minerals

VA-2112-0000

NSL

VA-1347-0000

EXHIBIT C



PERMITS WEST, INC.

PROVIDING PERMITS for LAND USERS

37Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

January 21, 2011

NM State Land Office
P. O. Box 1148
Santa Fe, NM 87504

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

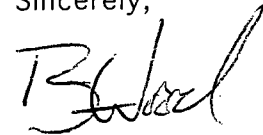
Yates Petroleum Corporation is applying to drill its East Sand Springs BGE State Com 9 oil well. The minimum state distance for such an oil well is 330' from a quarter-quarter line. The well is 50' further south and east than is standard (see attachment). Thus, it is a nonstandard location. The NSL is due to topography and land use.

Well Name: East Sand Springs BGE State Com 9 PBTD: ≈10,015'
Proposed NSL Zone: Sand Springs; Permo Upper Penn
NSL Acreage Dedication: 40 acres (NWNW Section 35)
Location: 1040' FNL & 1040' FWL Sec. 35, T. 10 S., R.34 E., Lea County, NM
on State lease VA-1347-0000 (well is ≥1,040' from lease boundary)
Approximate Location: ≈12 air miles northwest of Tatum, NM
Applicant Name: Yates Petroleum Corporation (575) 748-1471
Applicant's Address: 105 South 4th St., Artesia, NM 88210

Submittal Information: Application for a nonstandard location will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, then it must be filed in writing within 20 days from the date the NMOCD receives the application. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Please call me if you have any questions.

Sincerely,



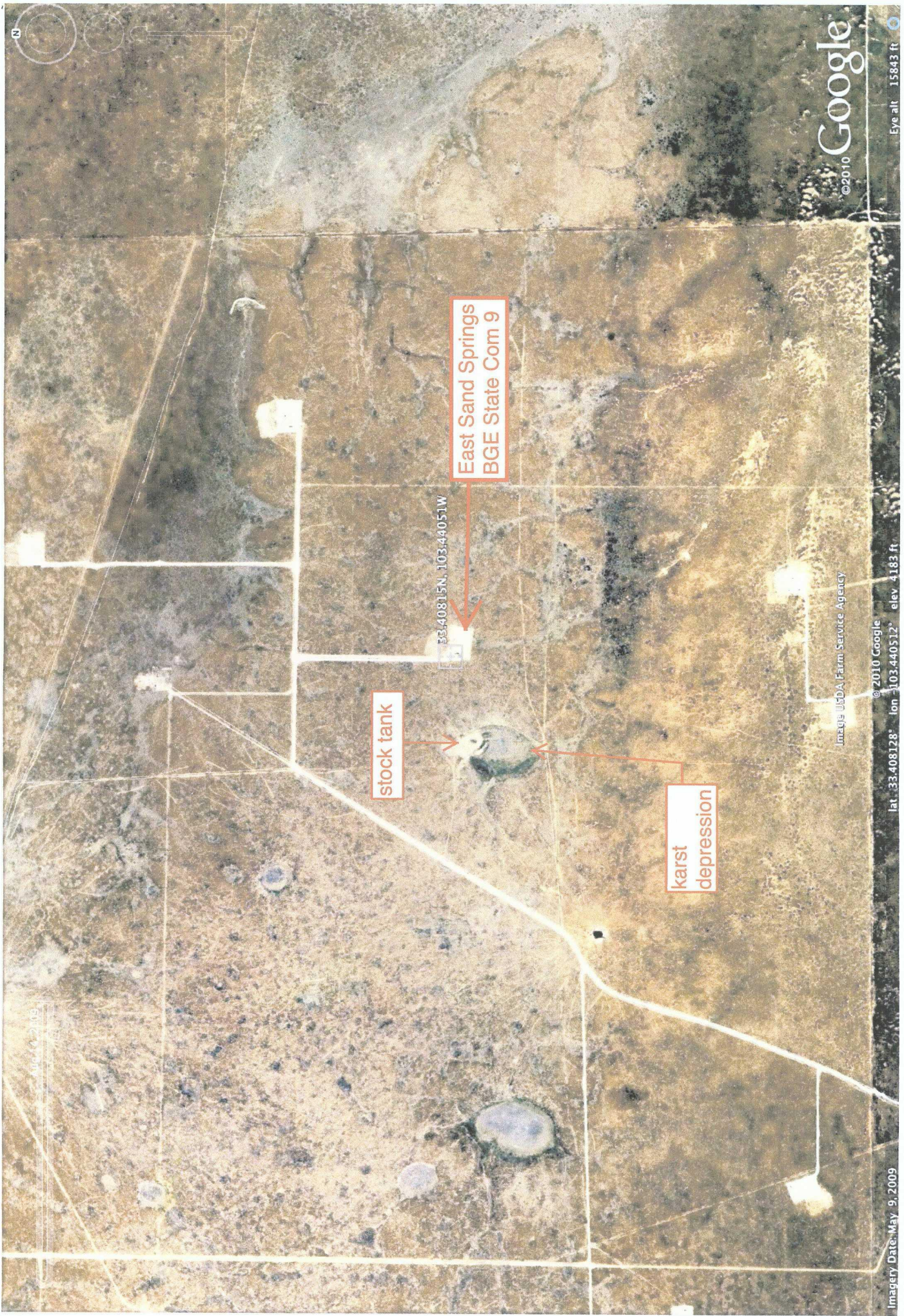
Brian Wood

9224 3306

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Return Receipt Fee (Endorsement Required)	\$ 0.30
Restricted Delivery Fee (Endorsement Required)	\$ 0.30
Total Postage & Fees	\$ 2.12
Sent To: NM SLO	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	

PS Form 3800, August 2006

EXHIBIT F



2

©2010 Google

Eye alt 15843 ft

EXHIBIT E

East Sand Springs
BGE State Com 9

33.40815N, 103.44051W

stock tank

karst
depression

Image USDA Farm Service Agency

© 2010 Google

lat 33.408128° lon -103.440512° elev 4183 ft

Imagery Date: May 9, 2009