

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION FOR A
PERMIT TO DRILL, EDDY COUNTY, NEW MEXICO

CASE NO. 11916

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, Losee, Carson, Haas & Carroll, P. A. (Ernest L. Carroll) and makes application for a Permit to Drill in Eddy County, New Mexico, and in support hereof, respectfully states:

1. Applicant is the operator of the Delaware and intermediate formations underlying Section 34, Township 21 South, Range 31 East, N.M.P.M., Unit D, Eddy County, New Mexico, and proposes to drill its Jacque "AQJ" State Well No. 4 at a point located 990' from the north line and 330' from the west line of said Section 34. Applicant seeks to test the Delaware and intermediate formations by drilling its proposed well to a depth of 8,150'.
2. Applicant has submitted its Application for Permit to Drill, Deepen or Plug Back, Form C-101, as required by Rule 102 of the Oil Conservation Division to permit the drilling of said well at the above-mentioned location. Applicant has further complied with Order R-111-P and has sent the required notice of such Application for Permit to Drill, Deepen or Plug Back to each potash operator holding potash leases within a radius of one mile of the proposed well. A copy of Form C-101, Form C-102, and the letter submitted by Yates Petroleum Corporation to the potash lessee are attached hereto as Exhibit 1.
3. Applicant has received written notice from the potash operator to whom notice was given that it objects to the drilling of said well. Attached hereto as Exhibit 2 is said response.

4. In its objection, Mississippi Potash, Inc. claims that said location is within the quarter-mile buffer zone of its LMR. All corehole data available indicates that no minable potash exists within Section 34. Order R-111-P(G) defines Life of Mine Reserves as follows:

Life of Mine Reserves means those potash deposits within the potash area reasonably believed by the potash lessee to contain potash ore in sufficient thickness and grade to be minable using current-day mining methods, equipment and technology.

There is no evidence upon which Mississippi Potash, Inc. could conclude that Section 34 contains any potash ore in sufficient thickness and grade to be minable using current-day mining methods, equipment and technology. Designation of an LMR or buffer zone in Section 34 is improper, and cannot be justified. The permitting of such well will not result in the undue waste of potash deposits, or constitute a hazard to or interfere unduly with the mining of potash deposits.

5. Yates has been notified by the Artesia Office of the Oil Conservation Division that its application for permit to drill would not be granted due to Mississippi Potash, Inc.'s opposition thereto. Yates was further instructed that it should file for a hearing with respect to its application.

6. All potash mining activity in the area is located more than one mile from the proposed location.

7. Upon information and belief, the Jacque "AQJ" State Well No. 4 proposed location is separated from areas of actual mining by Mississippi Potash, Inc. by mapped barren areas on the BLM potash resources map (January 1993).

8. Testimony was received in prior OCD Case Nos. 10446, 10447, 10448 and 10449 which established that no minable potash reserves had been found in the area of the proposed location by corehole testing. No new coreholes have been drilled since those hearings were held. Furthermore, recent testimony adduced during the hearing of United States' Department of Interior Office of Hearings and Appeals, Interior Board of Land Appeals, Arlington, VA, Case No. IBLA 92-612, et

al., held in Albuquerque, New Mexico confirmed that there was no evidence that the area of this location contained minable potash resources and that there was no new evidence available to contradict the evidence previously presented to the OCD in Case Nos. 10446, 10447, 10448 and 10449.

9. Pogo Producing Company has sought permission for and was granted Application to Drill wells on adjoining acreage in Section 33, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and Sections 3 and 4 of Township 22 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. The following six wells have been spudded and completed by Pogo Producing:

Lost Tank 33 #4 (Spud Date 12/06/96)

Lost Tank 33 #6 (Spud Date 02/10/97)

Lost Tank 33 #7 (Spud Date 03/11/97)

Lost Tank 4 #3 (Spud Date 03/29/97)

Lost Tank 3 #1 (Spud Date 04/17/97)

Lost Tank 33 #10 (Spud Date 07/06/97)

Each of these wells is located in the vicinity of the Jacque "AQJ" State Well No. 4 and is located 330' off the section line of Section 34. Each of these wells will drain State of New Mexico acreage leased by Yates Petroleum unless Yates is allowed to drill offset protection wells on its acreage.

10. Upon information and belief, the above referred-to Applications for Permit to Drill were granted by the Bureau of Land Management because such applications would not waste minable potash or unduly interfere with mining operations. The Jacque "AQJ" State Well No. 4 would have no greater impact upon potash resources or mining that these wells previously approved by the BLM, which approval was apparently not objected to by Mississippi Potash, Inc.

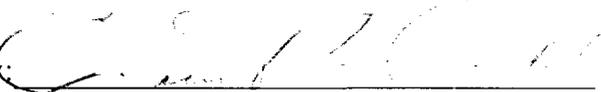
11. A standard 40-acre proration unit comprising Unit D of said Section 34 should be dedicated to such well.

12. The approval of this application will afford the applicant the opportunity to produce its just and equitable share of oil, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant prays as follows:

- A. That this application be set for hearing before an Examiner and that notice of said hearing be given as required by law;
- B. That upon hearing the Division enter its order granting Applicant permission to drill its Jacque "AQJ" State Well No. 4 at a point located 990' from the north line and 330' from the west line of said Section 34, Unit D, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, which is reasonably presumed to be productive of oil from the Delaware or intermediate formations;
- C. For such other relief as may be just in the premises.

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 

Ernest L. Carroll
P.O. Box 1720
Artesia, NM 88211-1720
(505)746-3505

Attorneys for Applicant

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-101
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

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, New Mexico 88210		² OGRID Number 025575
		³ API Number 30 - 0
⁴ Property Code	⁵ Property Name Jacque AQJ State	⁶ Well No. 4

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
D	34	21S	31E		990'	North	330'	West	Eddy

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Undesignated Delaware					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3458'
¹⁶ Multiple No	¹⁷ Proposed Depth 8150'	¹⁸ Formation Delaware	¹⁹ Contractor Undesignated	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	54.5#	850'	850 sx	Circulate
11"	8 5/8"	32.0#	4500'	2500 sx	Circulate
7 7/8"	5 1/2"	17 & 10#	TD	As warranted	Tie Back

²² 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 proposes to drill and test the Delaware and intermediate formations. Approximately 850' so surface casing will be set and cement circulated. Approximately 4500' of intermediate casing will be set and cement circulated. If commercial, production casing will be run and cemented to tie-back to the 8 5/8" casing. Will perforate and stimulate as needed for production.
 MUD PROGRAM: Native Mud to 850'; Brine to 4500'; Cut Brine to TD.
 BOPE PROGRAM: BOPE will be installed on the 13 5/8" casing and tested daily.
 A LETTER HAS BEEN SENT TO MISSISSIPPI POTASH.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.
 Signature: *Clifton R. May*
 Printed name: Clifton R. May
 Title: Regulatory Agent
 Date: October 6, 1997
 Phone: (505) 748-1471

OIL CONSERVATION DIVISION
 Approved by:
 Title:
 Expiration Date:
 EXHIBIT
 1

DISTRICT I
P.O. Box 1960, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name Undesignated Delaware
Property Code	Property Name JACQUE "AQJ" STATE		Well Number 4
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3458

Surface Location

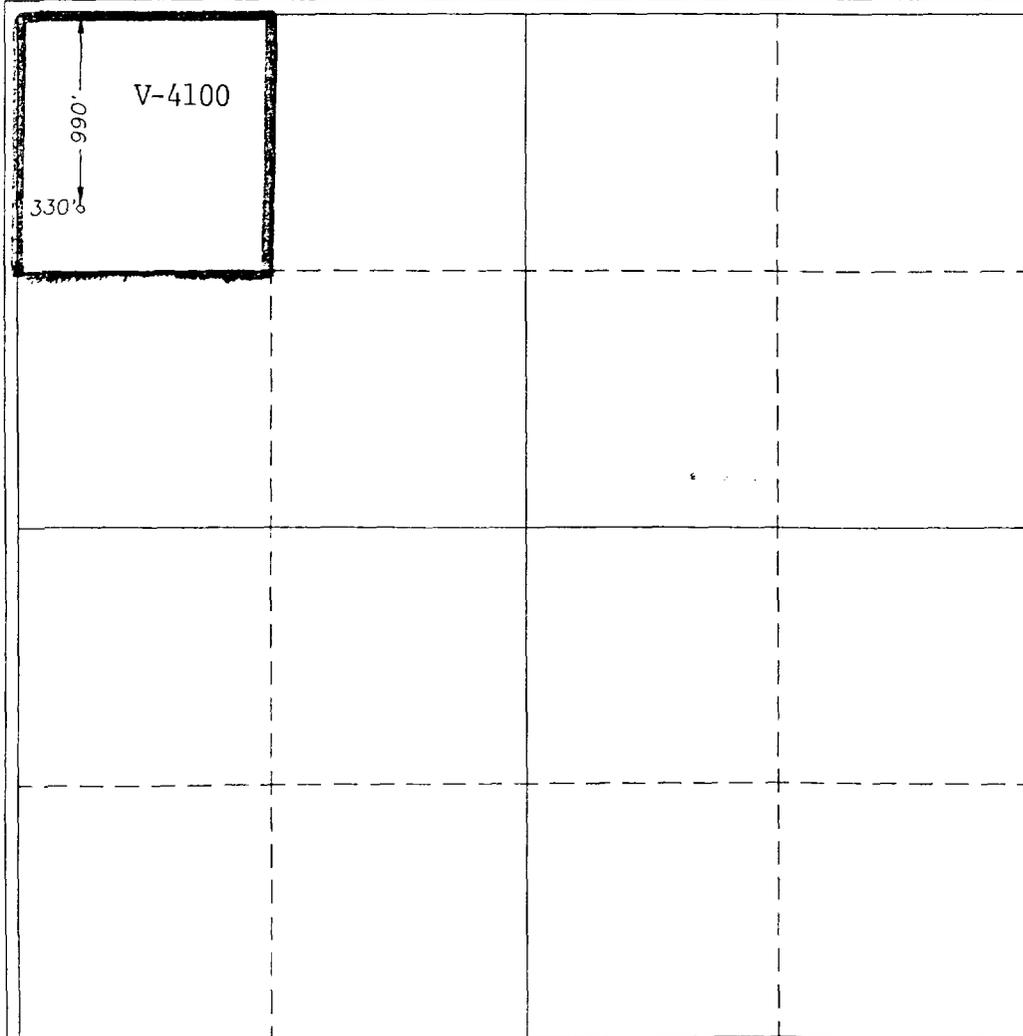
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	34	21S	31E		990	NORTH	330	WEST	EDDY

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.
40			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Clifton R. May
Signature
Clifton R. May
Printed Name
Regulatory Agent
Title
October 6, 1997
Date

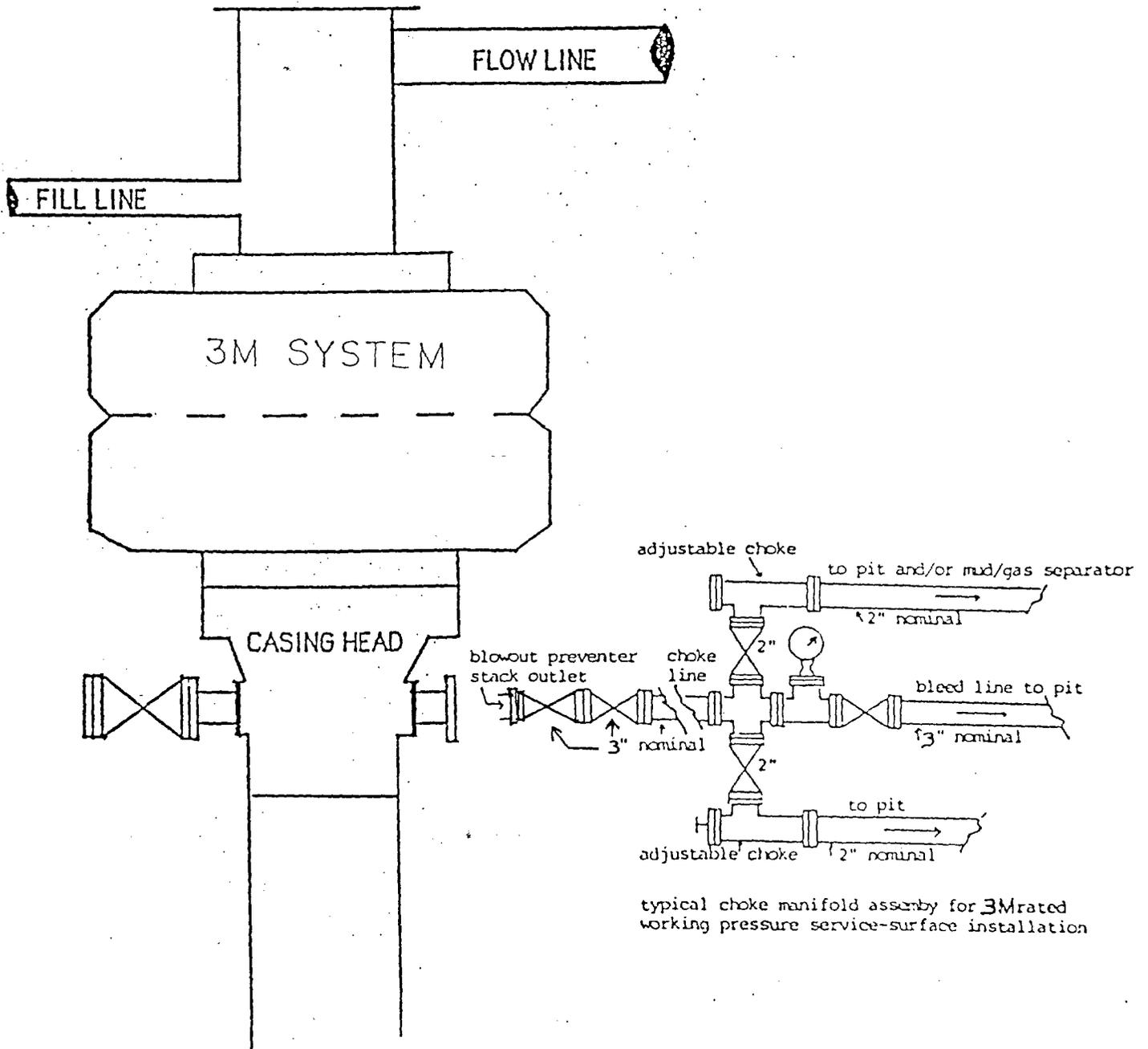
SURVEYOR CERTIFICATION

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.

10/04/97
Date Surveyed

Signature
Professional Seal of
JACQUE "AQJ" STATE
REGULATORY DIVISION
NEW MEXICO
3640
Certification No. 3640
JACQUE "AQJ" STATE
GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION



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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
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

October 3, 1997

Mississippi Potash
P.O. Box 101
Carlsbad, New Mexico 88220

Gentlemen:

Yates Petroleum Corporation is the operator of the State of New Mexico Oil and Gas Lease V-1400. The Jacque "AQJ" State #4 well location is being staked and a permit to drill is being submitted to the State of New Mexico. We plan to drill this well at the following location:

Jacque "AQJ" State #4
990' FNL and 330' FWL
Section 34, T21S-R31E
Eddy County, New Mexico

This location will be drilled as a Delaware producer and will be low pressure only. No high pressure will be encountered either in the drilling or production of this well.

This well location is one quarter of a mile from the designated LMR and will not create any dangerous conditions or encroach on any potential potash reserves.

We respectfully request that Mississippi Potash waive any objection that Mississippi Potash may have to this location and so indicate by signing and returning one copy of this letter to Yates Petroleum Corporation.

Very truly yours,

YATES PETROLEUM CORPORATION

Randy G. Patterson
Land Manager

/cyc
Enclosures

We hereby waive any objection to the drilling of this well.

MISSISSIPPI POTASH

By: _____

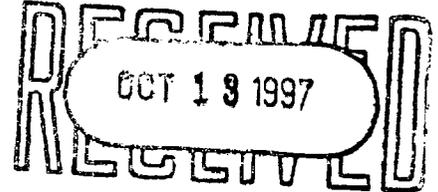
Title: _____

Date: _____



October 10, 1997

Oil Conservation Division
811 S. 1st St.
Artesia, NM 88210



Attention: Mr. Ray Smith

Re: Jacque "AQJ" State #4
990' FNL and 330' FWL
Section 34, T21S-R31E
Eddy County, New Mexico

Dear Ray:

In accordance with the State of New Mexico, Energy, Minerals and Natural Resources Department Oil Conservation Commission Order R-111-P, Mississippi Potash, Inc. objects to the proposed Jacque "AQJ" State #4 well. This well is located in the quarter mile buffer zone of our LMR.

Sincerely,

Jill Farnsworth
Chief Mine Engineer

Cc: Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Mr. Randy G. Patterson
Land Manager
Yates Petroleum Corporation
105 South Fourth St.
Artesia, NM 88210

EXHIBIT

2

P.O. Box 101 • 1996 Potash Mines Road • Carlsbad, New Mexico 88220
Phone (505) 887-5591 • FAX (505) 887-0705

10/14/97
C. J. ...
...