

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

IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION FOR
AN UNORTHODOX WELL LOCATION,
AND SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO

CASE NO. 1202

OIL CONSERVATION DIV.
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APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application for an exception to the provisions of Division Rule 104 C(2)(b) for its proposed Little Box Canyon AOX Federal Well No. 2 to be drilled at an unorthodox well location 1980 feet from the North line and 1190 feet from the West line of Section 7, Township 21 South, Range 22 East, NMPM, Eddy County, New Mexico, and for authorization for simultaneous dedication, and in support of its application states:

1. Yates is the operator of the Little Box Canyon AOX Federal Well No. 1 (API No. 30-015-24747) which is completed as a producing gas well in the Morrow formation, Little Box Canyon-Morrow Gas Pool, at a previously approved unorthodox well location, 800 feet from the South line and 1600 feet from the West line of Section 7, Township 21 South, Range 22 East, NMPM, Eddy County, New Mexico. (See Order No. R-7400, dated December 14, 1983).

2. The Little Box Canyon AOX Federal Well No. 1 is a poor Morrow producing well which is unable to effectively drain the reserves under the W/2 of said Section 7.

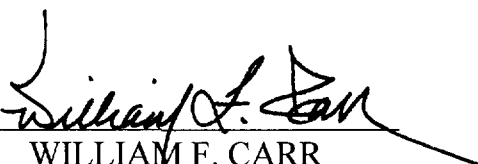
3. Yates seeks an exception to Oil Conservation Division General Rule 104 C (2)(b) to permit it to drill its proposed Little Box Canyon AOX Federal Well No. 2 at an unorthodox location 1980 feet from the North line and 1190 feet from the West line as a second well in the W/2 of said Section 7 and simultaneously dedicate the W/2 of Section 7 to the Little Box Canyon AOX Federal Wells Nos. 1 and 2. The Little Box Canyon AOX Federal Well No. 2 is at an unorthodox location because it crowds a quarter-quarter section line. The W/2 of Section 7 is a non-standard spacing unit containing 240.64 acres, due to a variation in the U.S. Public Lands Survey which has been approved by Division Administrative Order NSP-1792 dated July 9, 1998.

4. Approval of this application and the drilling of the Little Box Canyon AOX Federal Well No. 2 will enable Yates to produce its just and fair share of the reserves under the W/2 of said Section 7 and will otherwise prevent waste, be in the best interest of conservation, and protect correlative rights.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 6, 1998, and, after notice and hearing as required by law, the Division enter its order granting this application, approving the unorthodox well location for the Little Box Canyon AOX Federal Well No. 2, and authorizing the simultaneous dedication of the W/2 of Section 7, Township 21 South, Range 22 East, NMPM to the Yates Little Box Canyon AOX Federal Wells Nos. 1 and 2.

Respectfully submitted,

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