

DATE IN 7.6.04	SUSPENSE 7/26/04	ENGINEER Stagner	LOGGED IN 7.7.04	TYPE NSL	APP NO. DSEM 0418948764
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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



### 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.

William F. Carr  
 Print or Type Name

William F. Carr  
 Signature

Andrew  
 Title

7/6/04  
 Date

wcarr@hollandhart.com  
 e-mail Address

2004 JUL 6 PM 3 21

RECEIVED

JUL 16 2004

OCB-ARTESIA



July 6, 2004

**HAND-DELIVERED**

Mr. Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**RECEIVED**

**JUL 16 2004**

**988-ARTESIA**

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, N.M.P.M., Chaves County, New Mexico.

Dear Mr. Fesmire:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) adopted on August 12, 1999, of an unorthodox well location for its Hanlad "AKZ" State Well No. 1 to be drilled at an unorthodox gas well location 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, N.M.P.M., Chaves County, New Mexico. An unorthodox gas well location for this well was approved in the Ordovician formation by Division Order No. R-972, dated September 16, 1992. Yates now seeks approval of this location up hole in the Wolfcamp and Strawn formations.

This location in the Wolfcamp and Strawn formations is unorthodox unorthodox because Rule 104.C(2)(a) of the General Rules of the Division provides in part that wells in the Wolfcamp or any older formation shall be "...no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary." A standard 320-acre spacing and proration unit comprised of the S/2 of Section 13 will be dedicated to the well.

The proposed unorthodox well location is located in the SW/4 of the Section and is 330 feet from the outer boundary of the quarter section on which it is located.

HOLLAND & HART<sup>LLP</sup>



Administrative Application  
Unorthodox Well Location  
Hanlad "AZK" State Well No. 2  
July 6, 2004  
Page 2

Attached hereto as **Exhibit 1** is a plat that shows the subject area, the 320-acre spacing unit comprised of the S/2 of Section 13, the proposed unorthodox location, and adjoining spacing units and wells. **Exhibit 2** is the C-102 originally filed for the well that shows the surveyed location of the well. The well only encroaches on properties to the South that are operated by Yates related companies. However, pursuant to Rule 104.F(4) of the General Rules of the Division, a copy of this application, including a copy of the plat described above has been sent to all affected parties by certified mail-return receipt requested. These affected parties are identified on **Exhibit 3** to this application and have been advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

Yates Petroleum corporation also requests that the order issued in this matter be issued with an effective date of October 15, 2003.

I enclose in hard copy and have provided by E-mail a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly yours,

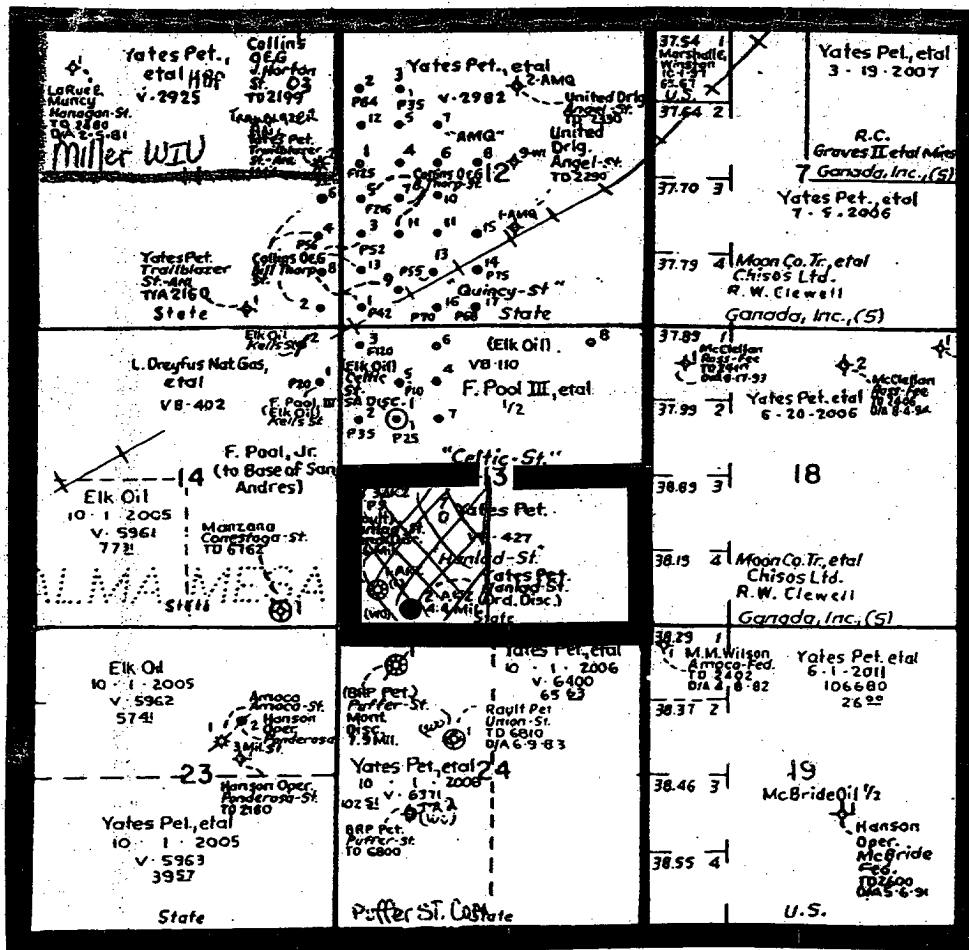
William F. Carr  
Attorney for Yates Petroleum Corporation

Enclosures

cc: Chuck Moran  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210-2118

# Exhibit 1

Yates Petroleum Corporation  
Hanlad "AKZ" State #2  
Section 13-T8S-R27E  
Chaves County, New Mexico



Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised 1-1-89

**OIL CONSERVATION DIVISION**

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

**DISTRICT I**  
P.O. Box 1980, Hobbs, NM 88240

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

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

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

All Distances must be from the outer boundaries of the section

Operator <b>YATES PETROLEUM CORPORATION</b>			Lease <b>HANLAD "AKZ" STATE</b>		Well No. <b>2</b>
Unit Letter <b>M</b>	Section <b>13</b>	Township <b>8 SOUTH</b>	Range <b>27 EAST</b>	County <b>CHAVES</b>	
Actual Footage Location of Well: <b>330</b> feet from the <b>SOUTH</b> line and <b>1225</b> feet from the <b>WEST</b> line					
Ground level Elev. <b>3943'</b>	Producing Formation <b>ORDOVICIAN</b>		Pool <b>Wildcat Ordovician</b>	Dedicated Acreage: <b>320</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?  
☐ Yes ☐ No If answer is "yes" type of consolidation \_\_\_\_\_

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

**OPERATOR CERTIFICATION**

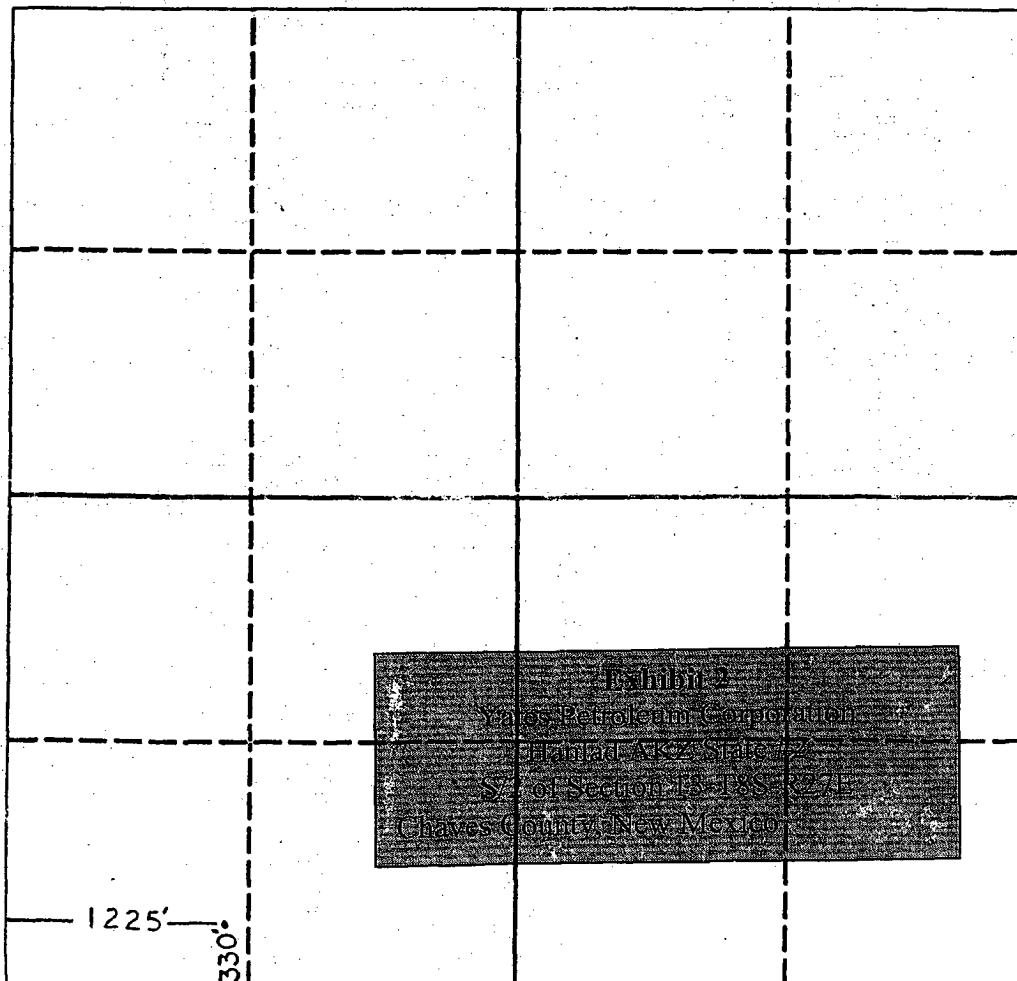
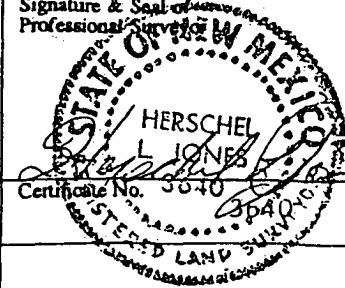
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature Clifton R. May  
Printed Name Clifton R. May  
Position Permit Agent  
Company Yates Petroleum Corporation  
Date September 24, 1992

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 9/23/92  
Signature & Seal of Professional Surveyor  
Herschel L. Jones  
Certificate No. 3540



0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0



**EXHIBIT 3**

Yates Petroleum Corporation  
Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911)  
330' FSL & 1225" FWL  
S/2 of Section 13, Township 8 South, Range 27 East, N.M.P.M.,  
Chaves County, New Mexico.

**AFFECTED PERSONS - NOTIFICATION LIST**

**S/2 of Section 13, T-8-S, R-27-E**

**Working Interest Owners**

Yates Drilling Company  
Myco Industries  
Abo Petroleum Corporation  
104 South Fourth Street  
Artesia, New Mexico 88210

**Royalty Owner**

State of New Mexico  
Lease Number VB-0427

**Section 24, T-8-S, R-27-E**

**Working Interest Owners**

Yates Drilling Company  
Myco Industries  
Abo Petroleum Corporation  
104 South Fourth Street  
Artesia, New Mexico 88210

**Royalty Owner**

State of New Mexico  
Lease Numbers VO-6371 (W/2) and VO-6400 (E/2)

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210-2118

Attention: William F. Carr

*Administrative Order NSL-\_\_\_\_\_*

Dear Mr. Carr:

Reference is made to your application dated July 6, 2004 for an unorthodox well location for in the Wolfcamp and Strawn formations, for the Yates Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) effective October 15, 2003. Said well was originally drilled to the Ordovician formation at an unorthodox gas well location approved by Division Order No. R-9721, Dated September 16, 1992 and is located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico.

A standard 320-acre spacing and proration unit in the Wolfcamp and Morrow formations comprising the S/2 of said Section 13 is to be dedicated to said well.

This application has been duly filed under the provisions of Rule 104 of the General Rules of the Oil Conservation Division.

By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the following described unorthodox gas well location within this 320-acre unit in the Wolfcamp and Strawn formations effective October 15, 2003 is hereby approved:

**Hanlad "AKZ" State Well No. 2**

**330' FSL & 1225' FWL (Unit M)**

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Mark E. Fesmire, P.E.  
Director

cc: New Mexico Oil Conservation Division – Artesia  
U. S. Bureau of Land Management – Carlsbad

HOLLAND & HART<sup>LLP</sup>



William F. Carr  
wcarr@hollandhart.com

July 6, 2004

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO AFFECTED INTEREST OWNERS**

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, N.M.P.M., Chaves County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application and attached plat which was filed with the New Mexico Oil Conservation Division on this date by Yates Petroleum Corporation for administrative approval of an unorthodox well location for its Hanlad "AKZ" State Well No. 2 located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico, effective October 15, 2003.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty days from this date. If no objection is received within this twenty-day period, this application for unorthodox well location may be approved.

Very truly yours,

William F. Carr  
Attorney for Yates Petroleum Corporation

Enclosure

cc: Mr. Chuck Moran  
Yates Petroleum Corporation

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻





# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

July 13, 2004

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

**Yates Petroleum Corporation**

c/o **Holland & Hart LLP**

**P. O. Box 2208**

**Santa Fe, New Mexico 87504-2208**

**RECEIVED**

**JUL 16 2004**

**ODD-ARTESIA**

Attention: **William F. Carr**  
**Legal Counsel for Yates Petroleum Corporation**

**Re:** *Application on behalf of Yates Petroleum Corporation ("Yates") submitted on July 6, 2004 (administrative application reference No. pSEM0-418948764) for administrative review by the Division for: (i) an unorthodox deep gas well location in both the Wolfcamp formation and the Palma Mesa-Pennsylvanian Gas Pool (82550) for Yates's existing Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located 330' FSL & 1225' FWL (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico; (ii) an exception to Division Rule 104.C (2) (b) in order to locate and complete two Pennsylvanian producing wells within the same quarter section of a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Section 13 within the Palma Mesa-Pennsylvanian Gas Pool; and (iii) a retroactive approval date of October 15, 2003 for any order issued to Yates in this matter*

Dear Mr. Carr,

Please refer to Yates Petroleum Corporation's administrative application (**administrative application reference No. pLR0-400627649**) and the record in Division Case No. 13229 (which was dismissed by Order No. R-12126). Your amended application for this well still contains provisions that can not be addressed administratively; therefore, this administrative application will also be set for hearing before an examiner on the next available scheduled for August 5, 2004. Division Case No. 12126 will be reopened and readvertised in the following manner:

**"CASE 13229 (REOPENED AND READVERTISED): Application of Yates Petroleum Corporation for an unorthodox gas well location, an exception to Division Rule 104.C (2) (b), and a retroactive approval date for any order issued in this case, Chaves County, New Mexico. Applicant seeks an exception to Division Rule 104.C (2) for an unorthodox deep gas well location in the Wolfcamp formation and in the Palma Mesa-Pennsylvanian Gas Pool (82550) for Yates Petroleum Corporation's existing Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911), located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East [which well was the subject of Division Order No. R-9721, issued in Case No. 10489 on June 11, 1992, approving this well as an unorthodox gas well location in the Palma Mesa Siluro-Ordovician Gas Pool (82550) within a standard 320-acre deep gas spacing unit comprising the**

**YATES PETROLEUM CORPORATION**

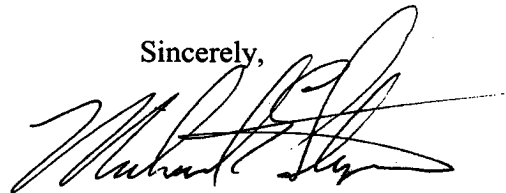
**JULY 13, 2004**

**PAGE 2**

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S/2 of Section 13], this well to be dedicated to the S/2 of Section 13 being a standard 320-acre lay-down deep gas spacing unit for both zones. This well is located approximately eight miles southwest of Elkins, New Mexico. **APPLICANT FURTHER SEEKS** an exception to Division Rule 104.C (2) (b) in order to recomplete the Hanlad "AKZ" State Well No. 2 as an infill Pennsylvanian gas well within the same quarter section (SW/4 of Section 13) as an existing well producing from the Palma Mesa-Pennsylvanian Gas Pool. The S/2 of Section 13, being a standard 320-acre lay-down deep gas spacing unit in the Palma Mesa-Pennsylvanian Gas Pool is currently dedicated to the applicant's Hanlad "AKZ" State Well No. 1 (API No. 30-005-61493), located at a standard deep gas well location 660 feet from the South and West lines (Unit M) of Section 13. **FURTHERMORE**, applicant seeks an effective date for any order issued in this case is made retroactive to October 15, 2003".

Sincerely,



Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia  
New Mexico State Land Office - Santa Fe  
Ms. Florene Davidson, NMOCD - Santa Fe