



OCD - Artesia

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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

March 18, 2003

Lori Wrotenberg
Director
Oil Conservation Division

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

Attention: Robert Bullock



30-005-
63444


Re: *Administrative application submitted on March 10, 2003 (administrative application reference No. pKRV0-307027225) for: (i) unorthodox infill gas well location in the Pecos Slope-Abo Gas Pool; (ii) unorthodox infill oil well location in the Pecos Slope-Pennsylvanian Pool; and (iii) unorthodox deep-gas well location for any and all formations below the top of the Wolfcamp formation spaced on 320 acres, for Yates Petroleum Corporation's proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico.*

Dear Mr. Bullock:

Since the proposed well in which the subject application was filed is located within the Pecos Slope-Abo Gas Pool and is therefore subject to the "Special Rules and Regulations for the Pecos Slope-Abo Gas Pool," as promulgated by Division Order No. R-9976-C, dated March 19, 1996 (see copy attached). As you are aware, since Yates Petroleum Corporation was the applicant in the cases that set forth the special pool rules governing the Pecos Slope-Abo Gas Pool and has been notified twice within the last year on two other administrative applications, these rules do not include an administrative procedure for authorizing unorthodox gas well locations (see Rule 5). This application will therefore be set for hearing and will be placed on the next available docket scheduled for April 10, 2003.

The following ad as been prepared and submitted for publication:

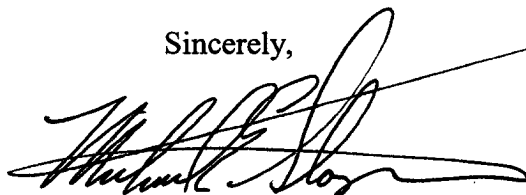
"Application of Yates Petroleum Corporation for an unorthodox location, Chaves County, New Mexico. Applicant seeks an: (i) unorthodox infill gas well location in the Pecos Slope-Abo Gas Pool; (ii) unorthodox infill oil well location in the Pecos Slope-Pennsylvanian Pool; and (iii) unorthodox deep-gas well location for any and all formations below the top of the Wolfcamp formation spaced on 320 acres, for its proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, which is located approximately 13.5 miles north of the Pecos River bridge on U. S. Highway 70. The proposed location is an exception to the well location requirements provided within the "Special Rules and Regulations for the



Pecos Slope-Abo Gas Pool", as promulgated by Division Order No. R-9976-C, for an infill well within an existing standard 160-acre Abo gas spacing unit comprising the NW/4 of Section 26. This unit is currently dedicated to the applicant's George "QJ" Federal Well No. 6 (API No. 30-005-61546), located at a standard gas well location 660 feet from the North line and 990 feet from the West line (Unit D) of Section 26. This location is also an exception to the well location requirements provided within the "Temporary Special Pool Rules for the Pecos Slope-Pennsylvanian Pool", as promulgated by Division Order No. R-11721, for an infill oil well within an existing standard 320-acre stand-up oil spacing and proration unit comprising the W/2 of Section 26. This 320-acre Pennsylvanian oil unit is currently dedicated to the applicant's George "QJ" Federal Well No. 10 (API No. 30-005-63368), located at a standard oil well location 660 feet from the South line and 1500 feet from the West line (Unit N) of Section 26. Further, in accordance with Division Rule 104.C (2) (a) the proposed George "QJ" Federal Well No. 11 is also unorthodox for any and all gas bearing formations below top of the Wolfcamp formation for a standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 26."

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
Ms. Florene Davidson – NMOCD, Santa Fe
Ms. Kathy Valdes – NMOCD, Santa Fe
U. S. Bureau of Land Management - Roswell