



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

October 15, 2001

Lori Wrotenbery

Director

Oil Conservation Division

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

Attention: Cy Cowan



Re: *Administrative application initially dated August 16, 2001 (application reference No. pKRV0-123339590) for an exception to the well location provisions of: (i) Rule 4 of the "Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, and Ordering Paragraph No. (4) of Division Order No. R-9922-D; and (ii) Division Rule 104.C (2) (a) for the Undesignated South Indian Basin-Morrow Gas Pool, within the W/2 of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Cowan:

This letter acknowledges the receipt of your telefax transmission of October 12, 2001, which is a response to my letter dated October 3, 2001 concerning the subject administrative application.

My review of this supplementary data, in particular your notification, has caused some confusion and concern. Your October 12, 2001 letter to offset operators/leasehold interest owners shows the well to be unorthodox only in the Indian Basin-Upper Pennsylvanian Gas Pool while your application includes the Morrow interval. Does Yates still wish to include the Morrow interval in this application? Further, Division Rule 104.F (4) requires that a "copy of the application" be sent to all affected interests. Were the four parties identified as recipients to your October 12, 2001 notification letter provided a copy of Yates's "complete" application in this matter?

Since the submitted information is insufficient to review, the application was ruled incomplete again on October 15, 2001. Please submit the above stated information by Monday, October 22, 2001.

The Division cannot precede any further with your application until correct notice is submitted. Upon receipt that corrected notice has been provided, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you; however, should you need an additional week to gather this data, contact me in Santa Fe at (505) 476-3465 to arrange this extension. Thank you for your cooperation.

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
Randy Patterson, Yates Petroleum Corporation - Artesia

MARTIN YATES, III
1912 - 1983
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
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JOHN A. YATES
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PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

October 12, 2001

TO: Addressee List Attached

Certified Mail
Return Receipt Requested

RE: **Offset Operator/Leasehold Notification**
Unorthodox Location
Smith Federal Gas Com. #3
Township 22 South, Range 23 East
Section 12: 1797' FNL & 2159' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation has been advised by the Artesia office of the Oil Conservation Division that the Smith Federal Gas Com. #3 well is located at an unorthodox location which is described above. This location does not comply with existing special rules for the Indian Basin Upper Penn Gas Pool which states that no well shall be located closer than 660' feet from an outer boundary of a 320 acre spacing unit. Yates was required by the Bureau of Land Management to move this location to the unorthodox location because of topographic reasons.

If you have no objections to this unorthodox location please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

The undersigned hereby waives any objection to the unorthodox location of Yates Petroleum Corporation's Smith Federal Gas Com. #3.

Very truly yours,

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent

Company: _____

Name: _____

Title: _____

Date: _____

Unorthodox Location
Smith Federal Gas Com. #3
Township 22 South, Range 23 East
Section 12: 1797' FNL and 2159' FWL
Eddy County, New Mexico

Kerr-McGee
P.O. Box 25861, Suite 1903
Oklahoma City, OK 73125

Devon SFS Operating, Inc.
P.O. Box 6021
Midland, Texas 79711-0210

Marathon Oil Company
P.O. Box 100400
Houston, Texas 77216-0408

Chevron U.S.A., Inc.
P.O. Box 1635
Houston, Texas 77251