



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

December 1, 1998

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Administrative Order NSL-695-A

Dear Mr. Carr:

Reference is made to the following: (i) your application dated September 17, 1998 on behalf of the operator, Yates Petroleum Corporation ("Yates"); (ii) the New Mexico Oil Conservation Division's ("Division") initial response to this application by letter from Mr. Michael E. Stogner dated September 30, 1998 requesting verification of the proper orientation of the dedicated acreage/spacing and proration unit for the well that is the subject of your request; and, (iii) the records of the Division in both the Santa Fe and Artesia offices: all concerning Yates' request for an unorthodox Morrow gas well location for the plugged and abandoned Duer Wagner & Company Huber State Well No. 1 (API No. 30-015-21444), to be redesignated the Big Freddy Unit Well No. 3, located 2310 feet from the North line and 2410 feet from the West line (Unit F) of Section 36, Township 23 South, Range 22 East, NMPM, Sitting Bull Falls-Morrow Gas Pool, Eddy County, New Mexico.

The Huber State Well No. 1 was originally drilled by American Quasar Petroleum Company of New Mexico to a total depth of 10,400 feet in 1975 in order to test the Morrow formation underlying the W/2 of Section 36, being a standard 320-acre stand-up gas spacing and proration unit for this interval, at an unorthodox gas well location, approved by Division Administrative Order NSL-695, dated December 20, 1974. This well tested dry and was subsequently plugged and abandoned.

It is our understanding that Yates now intends to reenter this well, drill out the plugs, and recomplete in the Morrow interval by perforating and stimulating as needed. Yates however now intends to dedicate the N/2 of Section 36 to the Sitting Bull Falls-Morrow Gas Pool in order to form a standard 320-acre lay-down gas spacing and proration unit. Pursuant to Division Rule 104.C(2)(b) this location is also considered to be unorthodox.

This application has been duly filed under the provisions of Division Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Division Administrative Order NSL-695 shall be placed in abeyance until further notice.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: NSL-695