

August 3, 1989

RECEIVED

AUG 7 1989

OIL CONSERVATION DIV.
SANTA FE

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative
Unorthodox Gas Well Location Approval
Eddy County, New Mexico

Dear Mr. Stogner:

Yates Energy Corporation is the operator of:

Township 23 South, Range 23 East, N.M.P.M.
Section 27: E/2

and proposes to drill the Desert Rose Federal #1 to the Morrow formation at a point located 1740' from the south line and 660' from the east line of said Section 27.

Yates Energy Corporation originally staked a location 1980' from the south line and 660' from the east line of said Section 27. However, this location resulted in a ranch road and fence line running through said location. As this location is on patented surface, we propose to move said location 240' south to eliminate the relocation of said road and fence, thus avoiding difficulty with the surface owner. Due to geological considerations, we could not move this location any further north.

Yates Energy Corporation seeks an exception to the well location requirements of Rule 104 B.I.(a) of the Oil Conservation Division to permit the drilling of the well at the above-mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation.

A 320.00 acre gas proration unit comprising the E/2 of said Section 27 will be dedicated to such well.

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
August 3, 1989
Page Two

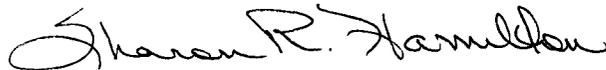
Therefore, Yates Energy Corporation respectfully requests that the Division Director grant an exception to the well location requirements without hearing based upon topographical and geologic conditions as allowed under the Rules and Regulations of the State of New Mexico Oil Conservation Division. This would allow Yates Energy Corporation to drill a well 1740' from the south line and 660' from the east line of said Section 27, which is reasonably presumed to be productive of gas from the Morrow formation.

This application for administrative approval of an unorthodox location is filed in triplicate and is accompanied by (1) a plat showing the ownership of all leases offsetting the proration unit for which the unorthodox location is sought, and also all wells completed thereon; (2) a plat showing and describing the existent topographical conditions. The geologic data will be sent under separate cover.

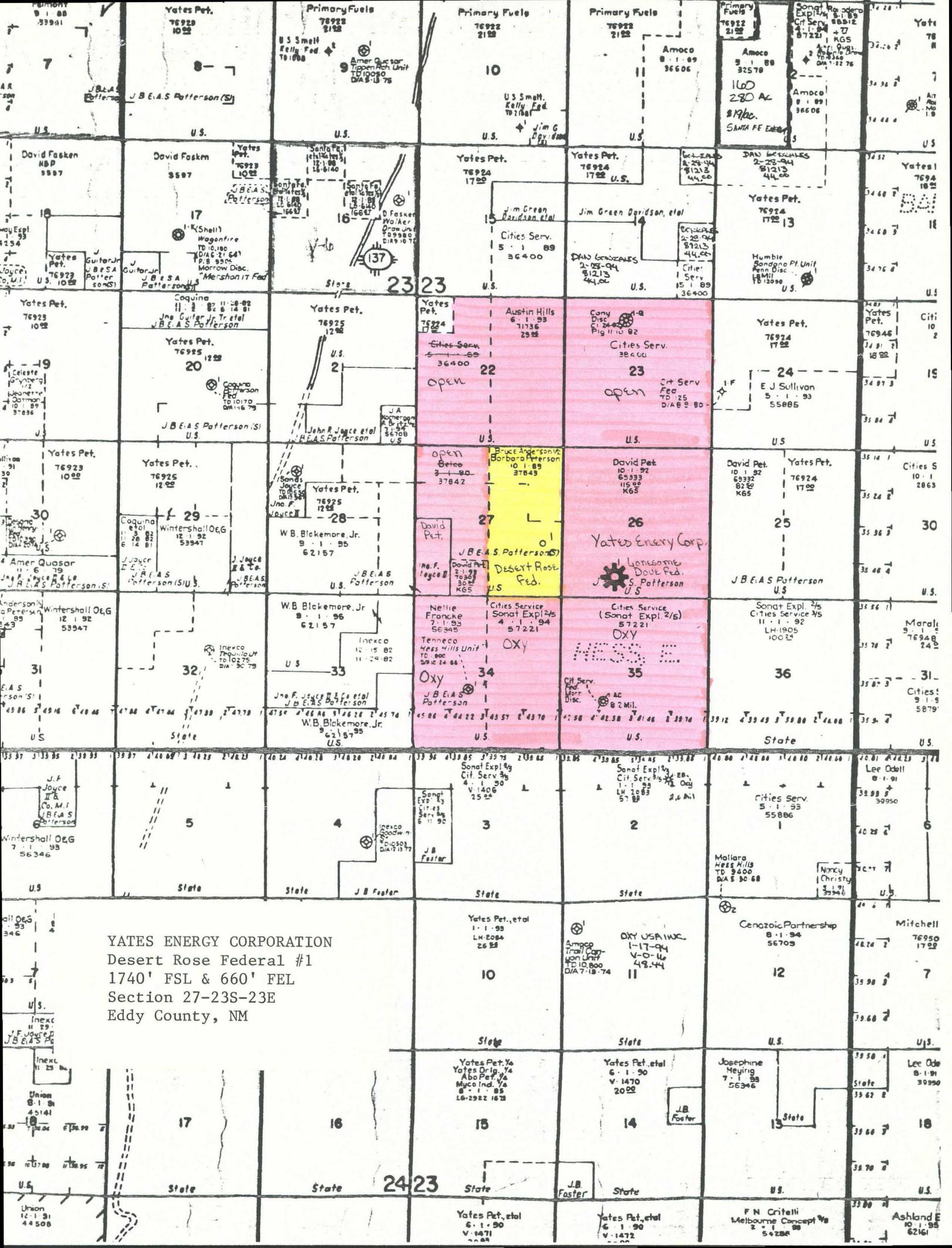
Your favorable consideration and assistance in this matter is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION


Sharon R. Hamilton
Landman

SRH/kee
Enclosure



YATES ENERGY CORPORATION
 Desert Rose Federal #1
 1740' FSL & 660' FEL
 Section 27-23S-23E
 Eddy County, NM

Union
 8-1-91
 45141

Union
 12-1-91
 44508

Inexco
 11-25-91

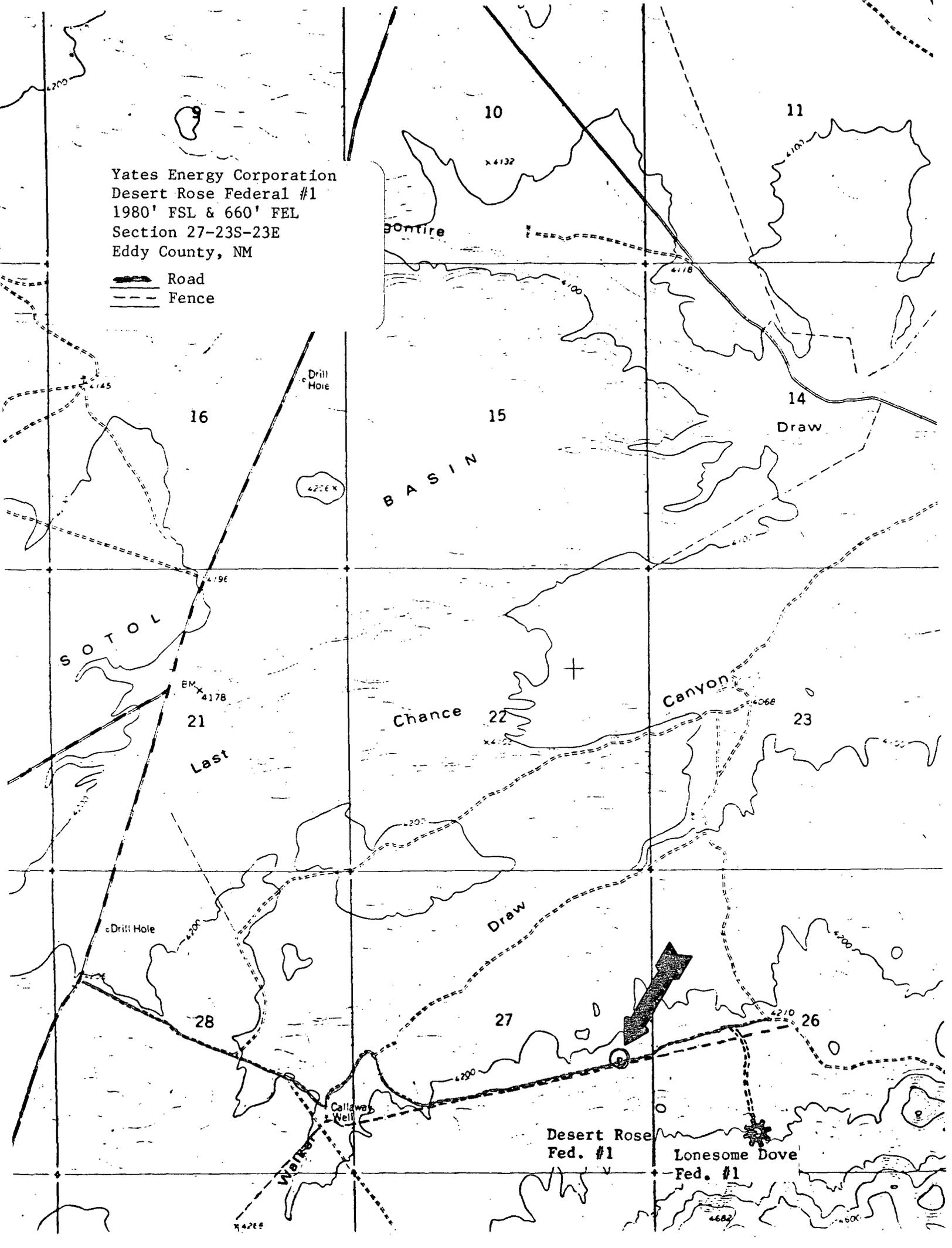
Union
 8-1-91
 45141

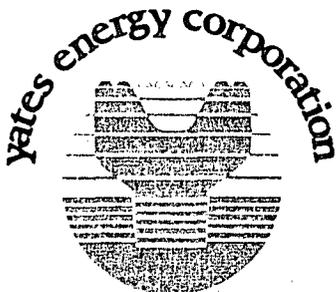
Inexco
 11-25-91

Union
 12-1-91
 44508

Yates Energy Corporation
Desert Rose Federal #1
1980' FSL & 660' FEL
Section 27-23S-23E
Eddy County, NM

 Road
 Fence





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AUG - 2 1989

OIL CONSERVATION DIV.
SANTA FE

RECEIVED

JUL 27 '89

O. C. D.
ARTESIA, OFFICE

July 26, 1989

Oil Conservation Division
P.O. Drawer DD
Artesia, New Mexico 88210

Attn: Mike Williams

Re: Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, New Mexico

Horror Test

Gentlemen:

The captioned well was originally staked 1980' FSL & 660' FEL. This footage placed the well bore 53 feet from an existing ranch road and 75 feet from a fence line, resulting in the road and fence running through the center of the well pad. Due to geological considerations, we could not move this location any further north. Therefore we proposed moving said location 240 feet to the south to avoid the road and fence.

Mr. Bill Lemay, Director of the New Mexico Oil Conservation Division, in a telephone conversation this date, granted Yates Energy Corporation a verbal administrative variance for topographic reasons to move the captioned well to a location 1740' FSL & 660' FEL of Section 27-23S-23E, Eddy County, New Mexico.

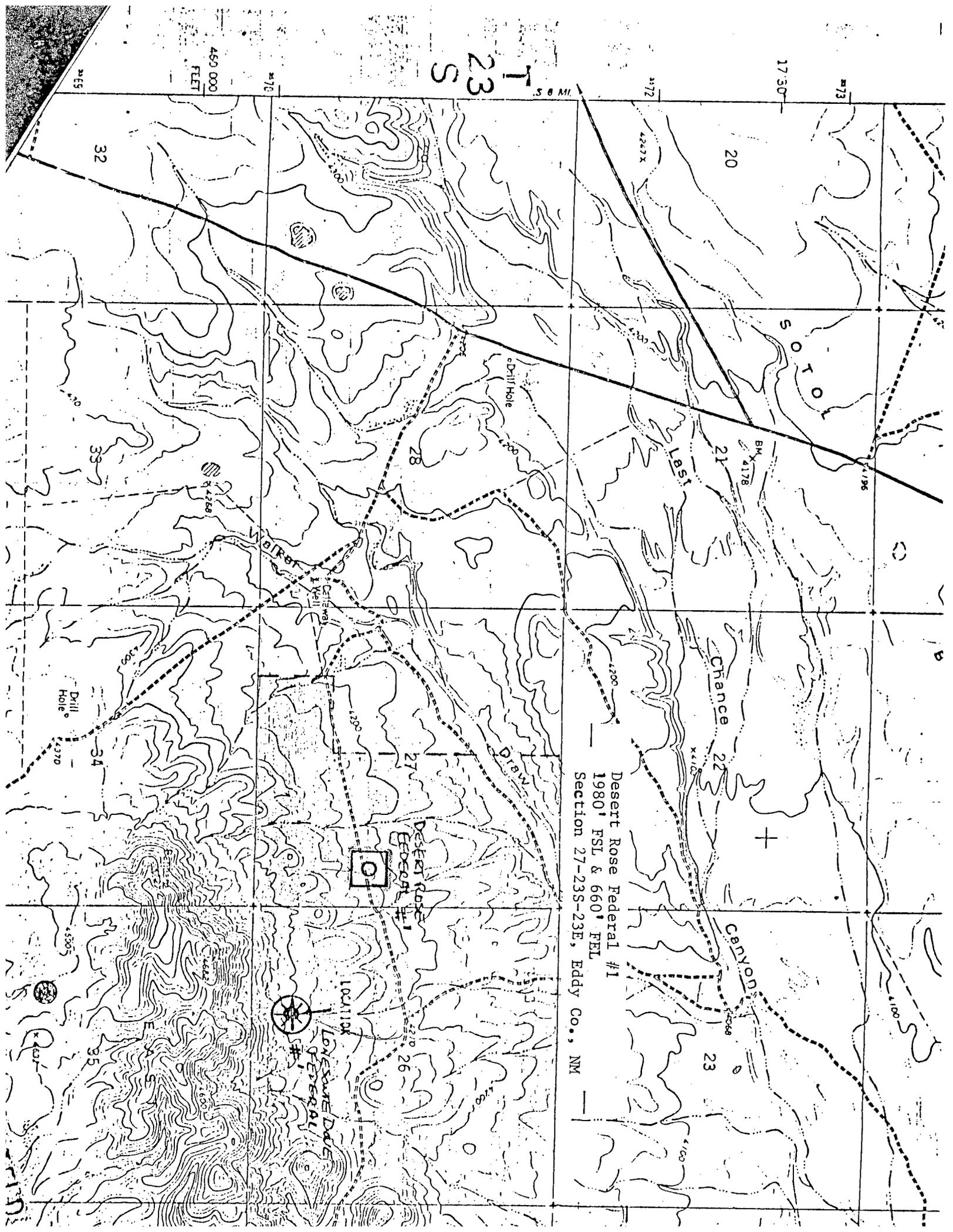
A plat is enclosed for your reference. Please advise should you have any questions or comments concerning this matter.

Very truly yours,

YATES ENERGY CORPORATION

Fred G. Yates
Fred G. Yates

FGY/kee
Enclosures



Desert Rose Federal #1
1980' FSL & 660' FEL
Section 27-23S-23E, Eddy Co., NM



T 23 S

469 000
FELT

17 30

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17 30

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Chance

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27

Desert Rose

Federal #1

26

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34

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R 4228

Drill Hole
4270

BM
4178

Sooty

Canyon

Walker
Draw

Location

Lox Square Dunes
Federal #1

17 30

Received 8/13/89

STATE OF NEW MEXICO



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 3, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Yates Energy Corporation
P. O. Box 2323
Roswell, New Mexico 88202

ATTN: SHARON R. HAMILTON, LANDMAN

**RE: Desert Rose Federal Well No. 1
1740' FSL - 660' FEL
I-27-23S-23E, Eddy County, New Mexico**

Dear Sharon:

Thank you for the prompt response to our request for a formal unorthodox gas well location application on the subject well. The mandatory 20-day waiting period as prescribed by General Rule 104.C.IV will be up August 23, 1989. However, since the unorthodox location request is also being sought for geological reasons, please supplement the application with appropriate geologic maps, cross-sections, and a discussion of said geologic conditions which result in the necessity for this request (104.F III.-last sentence).

So that we can better assure you a formal administrative order for this wells unorthodox location before or on August 23, 1989, please submit the required geologic information for our review as soon as possible.

Thank you again for your prompt and courteous attention in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner, Examiner
Chief Hearing Officer

MES/sl

cc: W. J. LeMay
V. Lyon
OCD Artesia Office

RECEIVED AUG 10 1989

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
YATES ENERGY CORPORATION FOR AN)
UNORTHODOX GAS WELL LOCATION, EDDY)
COUNTY, NEW MEXICO)

CASE NO. _____

WAIVER

As an offset operator, Austin Hills has no objections to Yates Energy Corporation drilling its proposed Desert Rose Federal #1 Well at a location 660' from the east line and 1740' from the south line of Section 27, Township 23 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

By: Austin Hills

Owner
Title

8-7-89
Date

RECEIVED AUG 10 1989

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
YATES ENERGY CORPORATION FOR AN)
UNORTHODOX GAS WELL LOCATION, EDDY)
COUNTY, NEW MEXICO)

CASE NO. _____

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By: Austin Hills

Owner
Title

8-7-89
Date

RECEIVED AUG 10 1989

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
YATES ENERGY CORPORATION FOR AN)
UNORTHODOX GAS WELL LOCATION, EDDY)
COUNTY, NEW MEXICO)

CASE NO. _____

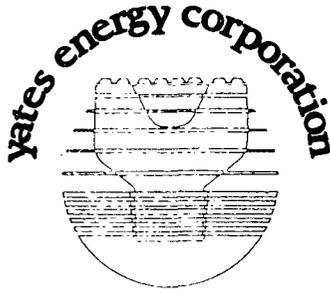
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By: Austin Hills

Owner
Title

8-7-89
Date



August 9, 1989

RECEIVED

AUG 10 1989

OIL CONSERVATION DIV.
SANTA FE

Michael E. Stogner
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, New Mexico

Dear Mr. Stogner:

Pursuant to your letter of August 3, 1989, enclosed please find three sets of the following geologic data:

1. Geology discussion
2. Morrow Structure/Potential Map
3. Morrow Isopach Map, "A" Sand
4. Stratigraphic Cross Section - Section A-A', Morrow Interval

This information should complete our application for administrative approval for an unorthodox gas well location per the captioned well.

We will be providing your office with the Certificate of Mailing to the off-setting operators in the near future, along with the executed waivers. Please advise should you require any further information.

Your assistance is appreciated.

Very truly yours,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/kee
Enclosures

WELL PROPOSAL

HESS PROSPECT

YATES ENERGY CORPORATION
Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27, T23S, R23E
Eddy County, New Mexico

GEOLOGY

Morrow Time was characterized by streams flowing generally from Northwest to Southeast across the prospect area. The streams were guided by a gently undulating plain and they deposited sand in the form of channel-fills, point bars and other associated bars.

One of these stream systems deposited the Morrow "A" sand, which is one of the primary objectives at the proposed location (Isopach Map). The "A" sand was perforated and tested at commercial rates in two nearby wells. The Cities Service (Oxy U.S.A., Inc.) Federal "AC" #1, located in the SE $\frac{1}{4}$ of Section 35, T23S, R23E, was the first to penetrate the sand and it potentialized for 8.2 MMCFGPD(CAOF) after stimulation with 5,000 gallons of acid. The Oxy U.S.A. State "EB" #1, located in the NE $\frac{1}{4}$ of Section 2, T24S, R23E, also penetrated the "A" sand and was completed for 2.0 MMCFGPD(CAOF).

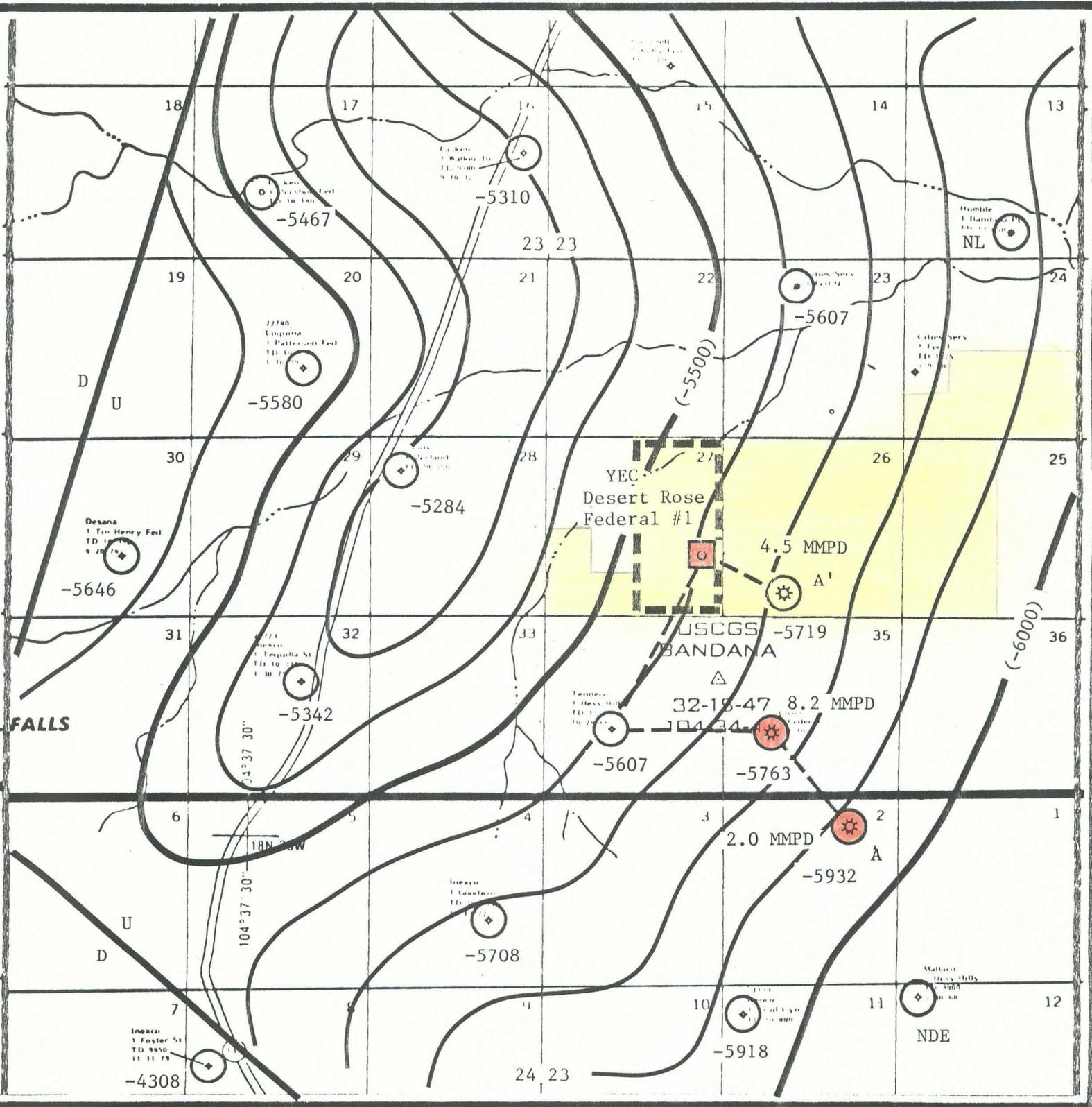
Yates Energy Corporation just recently completed the Lonesome Dove Federal #1, located in the SW $\frac{1}{4}$ of Section 26, a north offset to the two above mentioned Oxy wells. The "A" sand at that location was thinner and drillstem test results showed the sand to have considerably less permeability. This loss of quality "A" sand reservoir characteristics is due primarily to the well's location near the edge of the stream channel system.

By moving the proposed Desert Rose Federal #1 to the south, the well will be located closer to the center of deposition for the "A" sand and there will be an enhanced possibility of encountering coarse-grained and permeable sand. This, in my opinion, conforms with conservation, protection of correlative rights and prevention of waste.



Curtis A. Anderson
Geologist
Yates Energy Corporation

Exhibits: Morrow Structure/Potential Map
Morrow Isopach Map, "A" Sand
Stratigraphic Cross-Section A-A', Morrow Interval



LEGEND



YEC Acreage

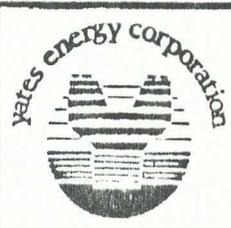


Proposed Proration Unit



Morrow Producer ("A" Sand)

4.7 MMCFGPD..GAS WELL POTENTIAL



HESS PROSPECT
EDDY COUNTY
NEW MEXICO

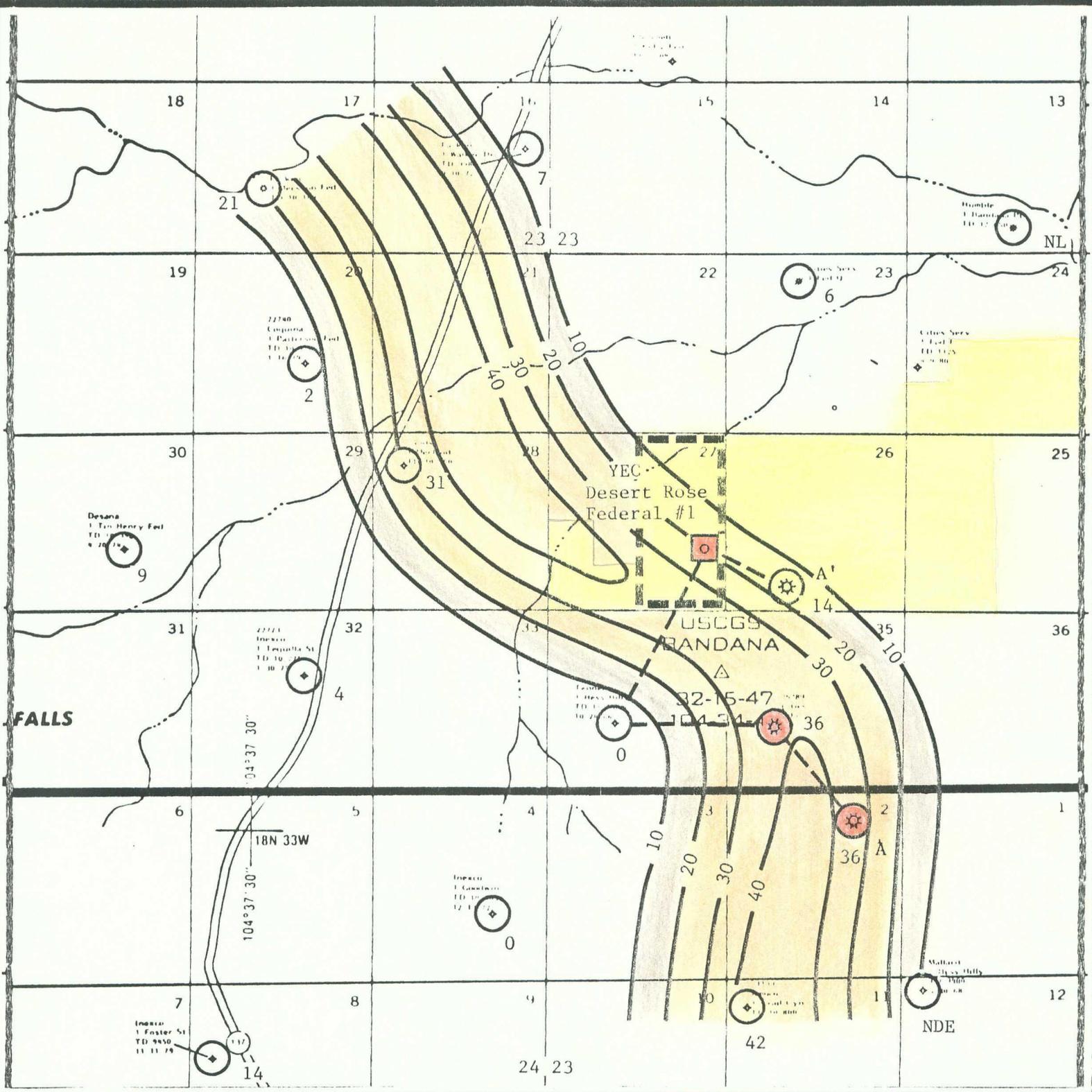
STRUCTURE MAP
TOP MORROW CLASTICS

CI: 100'

Scale: 1" : 4000'

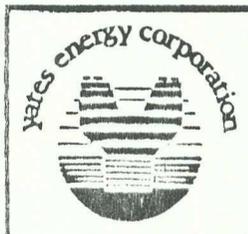
8/89

C. Anderson



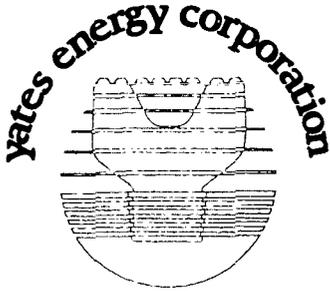
LEGEND

-  YEC Acreage
-  Proposed Proration Unit
-  Morrow Producer ("A" Sand)



HESS PROSPECT
 EDDY COUNTY
 NEW MEXICO

ISOPACH MAP
 MORROW "A" SAND
 NET CLEAN SAND
 CI: 10'
 Scale: 1" : 4000'
 8/89
 C. Anderson



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AUG 14 1989

OIL CONSERVATION DIV.
SANTA FE

August 10, 1989

Michael E. Stogner
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, New Mexico

Dear Mr. Stogner:

Enclosed please find three sets of the executed Waiver from off-set operators concerning our request for unorthodox gas well location approval.

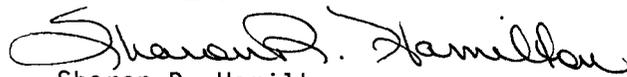
Waivers have been received from Oxy USA Inc. and Austin Hills. We have been advised by Armondo Lopez, Bureau of Land Management that they will not execute a waiver. It is my understanding that they will abide by the decision of the OCD and simply file the notice in the case file.

As soon as the final return receipt is received by this office, I will file the Certificate of Mailing to complete your files.

Please advise should you require any additional information.

Very truly yours,

YATES ENERGY CORPORATION


Sharon R. Hamilton
Landman

SRH/kee
Enclosures

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
YATES ENERGY CORPORATION FOR AN)
UNORTHODOX GAS WELL LOCATION, EDDY)
COUNTY, NEW MEXICO)

CASE NO. _____

WAIVER

As an offset operator, Oxy USA Inc. has no objections to Yates Energy Corporation drilling its proposed Desert Rose Federal #1 Well at a location 660' from the east line and 1740' from the south line of Section 27, Township 23 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

By:

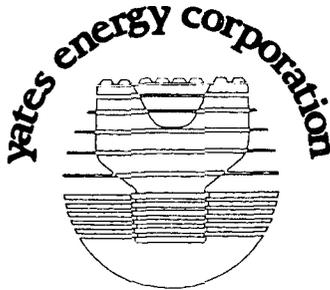
Conrad Lopez

Exploitation Manager

Title

Date

August 4, 1989



RECEIVED

AUG 14 1989

OIL CONSERVATION DIV.
SANTA FE

August 11, 1989

Michael E. Stogner
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Application for an Unorthodox Gas Well Location
Desert Rose Federal #1

Dear Mr. Stogner:

In accordance with Division Rule 1207 I hereby certify that on August 3, 1989 notice was mailed to the operators and interested parties listed in Exhibit "A", concerning our application for an unorthodox gas well location for the captioned well.

Also attached hereto are copies of said correspondence and notice to each operator and interested party as Exhibit "B".

This letter and attachments are being filed in triplicate.

Very truly yours,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/kee
Enclosures

SUBSCRIBED AND SWORN TO before me this 11th day of August, 1989 by
Sharon R. Hamilton.

My Commission Expires:

11/21/91

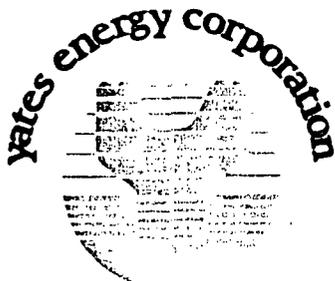
Notary Public

EXHIBIT "A"

Bureau of Land Management
Attention: Armondo Lopez
P.O. Box 1397
Roswell, New Mexico 88202

Austin Hills
490 Post Street #1049
San Francisco, California 94102

Oxy USA Inc.
P.O. Box 50250
Midland, Texas 79710



August 3, 1989

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Bureau of Land Management
P.O. Box 1397
Roswell, New Mexico 88201

Re: Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, New Mexico

Ladies & Gentlemen:

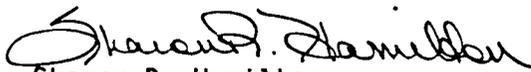
Yates Energy Corporation has been granted a verbal administrative variance by the Director of the New Mexico Oil Conservation Division, for topographic reasons, to drill the captioned well at a location 1740' FSL & 660' FEL of Section 27-23S-23E, Eddy County, New Mexico. This letter shall serve as notification to you, as an offset operator, of the proposed unorthodox location.

We would request that you notify us whether or not you will protest the proposed well at the unorthodox location referred to herein. If you do not intend to protest said location, enclosed you will find a waiver whereby you can make that decision known, and if you will return said waiver to us, we will file it with the Oil Conservation Division.

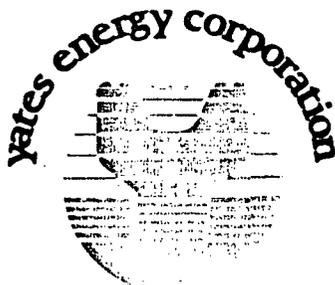
Your cooperation and prompt attention is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION


Sharon R. Hamilton
Landman

SRH/kee
Enclosure



August 3, 1989

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Austin Hills
490 Post Street #1049
San Francisco, California 94102

Re: Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, New Mexico

Ladies & Gentlemen:

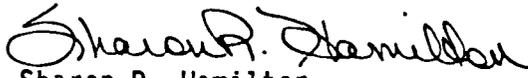
Yates Energy Corporation has been granted a verbal administrative variance by the Director of the New Mexico Oil Conservation Division, for topographic reasons, to drill the captioned well at a location 1740' FSL & 660' FEL of Section 27-23S-23E, Eddy County, New Mexico. This letter shall serve as notification to you, as an offset operator, of the proposed unorthodox location.

We would request that you notify us whether or not you will protest the proposed well at the unorthodox location referred to herein. If you do not intend to protest said location, enclosed you will find a waiver whereby you can make that decision known, and if you will return said waiver to us, we will file it with the Oil Conservation Division.

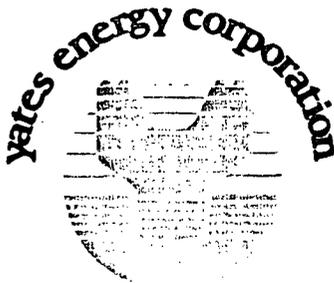
Your cooperation and prompt attention is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION


Sharon R. Hamilton
Landman

SRH/kee
Enclosure



August 3, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Oxy USA Inc.
P.O. Box 50250
Midland, Texas 79710

Re: Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, New Mexico

Ladies & Gentlemen:

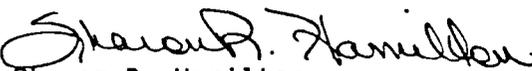
Yates Energy Corporation has been granted a verbal administrative variance by the Director of the New Mexico Oil Conservation Division, for topographic reasons, to drill the captioned well at a location 1740' FSL & 660' FEL of Section 27-23S-23E, Eddy County, New Mexico. This letter shall serve as notification to you, as an offset operator, of the proposed unorthodox location.

We would request that you notify us whether or not you will protest the proposed well at the unorthodox location referred to herein. If you do not intend to protest said location, enclosed you will find a waiver whereby you can make that decision known, and if you will return said waiver to us, we will file it with the Oil Conservation Division.

Your cooperation and prompt attention is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION


Sharon R. Hamilton
Landman

SRH/kee
Enclosure

P 299 868 596

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985
* U.S.G.P.O. 1985-480-794

Sent to Bureau of Land Management	
Street P.O. Box 1397	
Roswell, NM 88202	
P.O. State and ZIP Code Attn: ZIP Code Armondo Lopez	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 08/03/89	

RECEIVED AUG - 7 1989

SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery ↑(Extra charge)↑

3. Article Addressed to: Bureau of Land Management P.O. Box 1397 Roswell, NM 88202 Attn: Armondo Lopez	4. Article Number P 299 868 596
5. Signature - Addressee X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
6. Signature - Agent X Scott Spangler	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 8/3/89	8. Addressee's Address (ONLY if requested and fee paid) Service not paid for

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

P 299 868 594

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985
* U.S.G.P.O. 1985-480-794

Sent to Austin Hills	
Street Post Street #1049	
San Francisco, CA 94102	
P.O. State and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 08/03/89	

SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery ↑(Extra charge)↑

3. Article Addressed to: Austin Hills 490 Post Street #1049 San Francisco, CA 94102	4. Article Number P 299 868 594
5. Signature - Addressee X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
6. Signature - Agent X Laura Simmons	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 8/3/89	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

P 299 868 595

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985
* U.S.G.P.O. 1985-480-794

Sent to Oxy USA Inc.	
Street P.O. Box 50250	
Midland, Texas 79710	
P.O. State and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 08/03/89	

SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery ↑(Extra charge)↑

3. Article Addressed to: Oxy USA Inc. P.O. Box 50250 Midland, TX 79710	4. Article Number P 299 868 595
5. Signature - Addressee X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
6. Signature - Agent X Gail Bingham	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery AUG . 3 . AUG . 3 1989	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

