

October 10, 1990

VIA FAX (915) 685-5635

OXY U.S.A., Inc.
P. O. Box 50250
Midland, Texas 79710

Attention: Richard E. Foppiano
Regulatory Affairs Advisor

Re: Application of Yates Energy
Corporation for NMOCD administrative
approval for dual completion of the
Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
Eddy County, NM

Dear Mr. Foppiano:

Please be advised that Yates Energy Corporation will be requesting from the New Mexico Oil Conservation Division administrative approval to dual complete the captioned well in the Strawn and Morrow formations. The Strawn formation is currently producing, with the Morrow completed behind pipe. This letter shall serve as notification to you, as an offset operator, of the proposed dual completion.

We would request that you notify us whether or not you will protest said dual completion. If you do not intend to protest said procedure, 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 New Mexico Oil Conservation Division.

Your cooperation and prompt attention is greatly appreciated.

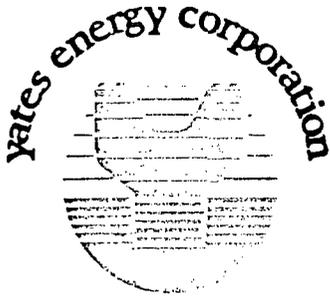
Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj
Enclosure

CERTIFIED MAIL/RETURN RECEIPT REQUESTED



October 11, 1990

Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Attention: Shannon Shaw

Re: Application of Yates Energy Corporation for N.M.O.C.D. administrative approval of the Desert Rose Federal #1 1740' FSL & 660' FEL Section 27-23S-23E Eddy County, NM

Gentlemen:

Please be advised that Yates Energy Corporation will be requesting administrative approval from the New Mexico Oil Conservation Division to dual complete the captioned well in the Strawn and Morrow formations. The Strawn formation is currently producing, with the Morrow completed behind pipe.

Yates Energy Corporation will be submitting a Sundry Notice with the proposed procedure to your office for approval in the near future. A copy of our request to the N.M.O.C.D. will also be provided to your office when complete.

Please advise should you require any additional information.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

County EDDY

Pool BANDANA POINT - STRAWN GAS

TOWNSHIP 23 SOUTH

Range 23 EAST

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

The table is a 6x6 grid of sections. Section 27 is highlighted with red diagonal lines. The grid is labeled with section numbers 1 through 36 in a boustrophedon pattern: Row 1 (top) contains 6, 5, 4, 3, 2, 1; Row 2 contains 7, 8, 9, 10, 11, 12; Row 3 contains 18, 17, 16, 15, 14, 13; Row 4 contains 19, 20, 21, 22, 23, 24; Row 5 contains 30, 29, 28, 27, 26, 25; Row 6 (bottom) contains 31, 32, 33, 34, 35, 36.

DESC: E/2 SEC 27 (R-9134, 4-1-90)



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

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

October 22, 1990

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202

Attention: Sharon R. Hamilton

*RE: Desert Rose Federal Well No. 1, 1740' FSL - 660' FEL
(Unit I), Section 27, Township 23 South, Range 23 East,
NMPM, Eddy County, New Mexico.*

Dear Ms. Hamilton:

Subsequent to our telephone conversation on Friday afternoon, October 19, 1990, I reviewed your application for dual completion of Bandana Point Strawn Gas Pool and Undesignated East Hess Morrow Gas Pool production in the subject well. Our 1990 production records (C-115s) for this well indicate the following:

Month	Producing Days	Gas - MCF	Water- Barrels	Condensate - Barrels	Rate of Liquids Production- Barrels/day
January	31	49,344	27	147	5.6
February	28	0	15	58	2.6
March	5	5,911	3	10	2.6
April	6	10,327	2	33	5.8
May	5	5,351	1	2	0.6
June	6	6,916	3	21	4.0
July	5	4,685	1	6	1.4
August	0	0	0	0	-----

Yates Energy Corporation
Attention: Sharon R. Hamilton
October 22, 1990
Page 2

It appears that the Strawn production consistently averages above the one barrel of liquids per day limit as provided for in General Rule 112-A II. required to receive District Supervisor approval. Also, General Rule 112-A. III requires additional engineering data to support such an application. Inasmuch as your application lacked this actual production data and necessary supporting technical data, please supplement the application with this required information.

Furthermore, our records also indicate that the Strawn zone was not covered in Division Administrative Order NSL-2684, dated August 14, 1989, which authorized the well location as unorthodox in the Undesignated East Hess Morrow Gas Pool. Please submit an appropriate application pursuant to General Rule 104.F.

Both matters may be considered administratively provided however that all provisions meet the applicable qualifications.

Should you have any questions concerning this matter, please contact me.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad

C-103 being furnished to all offset operators. Upon receipt from the Division Director, any well which was deviated in an indeterminate direction or toward the vertical shall be directionally surveyed. In addition, a directional survey of the entire well bore must be made on any well which was deviated in a predetermined direction, except toward the vertical. The District Office of the Division shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the Division upon completion of the well. The Division will not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.

(c) The Division Director shall have the authority to grant administrative approval to intentionally deviate a well from vertical when: (1) the surface location is not a satisfactory drillsite due to topographic conditions or other surface obstructions, and, (2) the bottomhole location is orthodox or an unorthodox location previously approved.

(d) Applications for administrative approval shall be filed in triplicate and shall be accompanied by plats showing both the surface location and targeted bottomhole location. The application shall state the reason(s) for deviating the subject well and include a site map and/or topography map illustrating the surface obstruction. The bottomhole location obtained will be considered reasonable and satisfactory if the actual location at total depth is orthodox or is no more than 50 feet from the approved bottomhole location.

(e) All operators of proration or spacing units offsetting the unit for which the permit to deviate is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the application upon receipt of waivers from all offset operators or if no offset operator has entered an objection within 20 days after the Director has received the application.

(f) The Division Director may, at his discretion, set any application for administrative approval for directional drilling for public hearing.

(g) Permission to deviate a well in any manner or for any other reason not provided for in these rules will be granted only after notice and hearing.

RULE 112-A MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only as hereinafter provided. Multiple completion of any well without prior approval by the Division shall be solely at the operator's risk and shall in no way commit the Division to subsequent approval thereof.

II. District Approval

The Supervisor of the appropriate Division district may authorize the multiple completion (qualifying conventional, tubingless, or combination) whenever the zones to be completed are to be produced through tubing or through casing where such casing has an outside diameter of 2.875 inches or less. The supervisor may authorize one gas zone to be produced through a casing-tubing annulus if such zone produces no more than one barrel of liquids per day.

To obtain approval for multiple completion the operator shall file four copies of Division Form C-107 (Application for Multiple Completion) with the appropriate district office. Form C-107 shall be accompanied by a diagrammatic sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including

diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

The district supervisor may forward any application to the Director of the Division for approval.

* III. Administrative Approval (Division Director)

The Division Director may authorize the multiple completion (qualifying conventional, tubingless, or combination) not qualifying for District approval or referred to him by the District Supervisor.

When any gas zone of a proposed multiple completion is to be produced through a casing-tubing annulus and such zone produces more than one barrel per day of liquids, the applicant shall furnish proof that such liquids may be efficiently produced without undue use of reservoir energy for the expected producing life of the well.

Application for administrative approval of a multiple completion shall be made in QUADRUPPLICATE, with two copies of the application to be mailed to the Division's Santa Fe Office, and two copies to the District Office for the area in which the well is located. Application shall be made on the Division Form C-107 (Application for Multiple Completion) and shall be accompanied by the following:

(a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

(b) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

Upon receipt of a complete application the Division Director may approve the matter administratively or he may set any such application for public hearing.

IV. Qualifying Multiple Completions

The following defines those mechanical installations qualifying for District or Administrative approval of multiple completion.

(a) The applicant proposes to utilize one of the conventional mechanical installations described below:

(1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus; or

(2) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing; or

(3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through

parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and

(4) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and

(5) The downhole equipment used to segregate the separate zones of the multiple completion will be production-type packer(s), polished bore receptacles, or the equivalent, and shall effectively prevent communication between all producing zones.

(b) The applicant proposes to employ one of the following tubingless and/or combination methods of completion:

(1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875 inches OD or less), one to each common source of supply, all cemented in a common well-bore; or

(2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore; and demonstrates that

(3) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and

(4) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and

(5) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

The requirements of paragraphs (3) and (4) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the Division Director, circumstances warrant such modification.

V. Hearings.

(a) Any multiple completion not qualifying for district or administrative approval must be set for public hearing.

(b) Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Division's Santa Fe Office. Application may be made in accordance with Rule 1203 or on the Division Form C-107, Application for Multiple Completion, setting forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed.

VI. Operation and Testing

All multiple completions, whether approved after hearing or by district or administrative procedure, shall be subject to the following rules:

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

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

August 14, 1989

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202

Attention: Fred G. Yates

Administrative Order NSL-2684

Dear Mr. Yates:

Reference is made to your application of August 3, 1989 for a non-standard gas well location for your **Desert Rose Federal Well No. 1** to be located 1740 feet from the South line and 660 feet from the East line (Unit I) of Section 27, Township 23 South, Range 23 East, NMPM, **Undesignated East Hess-Morrow Gas Pool**, Eddy County, New Mexico. The E/2 of said Section 27 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. LeMay".

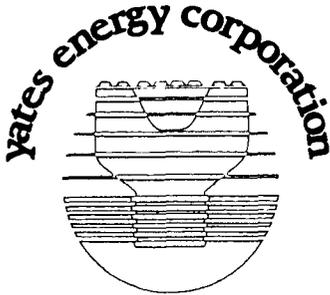
William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia
NM Oil and Gas Engineering Committee - Hobbs
US Bureau of Land Management - Roswell

OIL CONSERVATION DIVISION
RECEIVED

90 OCT 23 AM 9 16



October 22, 1990

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

Attention: Michael E. Stogner

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

Dear Mr. Stogner:

Pursuant to our telephone conversation October 19, 1990 regarding our request for administrative approval to dual complete the captioned well, enclosed please find the waiver executed by OXY U.S.A., Inc. as the only offset operator. Inasmuch as there are no other offset operators involved, we respectfully request that the OCD waive any waiting period in this matter and if possible grant immediate approval.

Please advise should any additional information be required. Your prompt attention in this matter is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION

A handwritten signature in cursive script, appearing to read "Sharon R. Hamilton".

Sharon R. Hamilton
Landman

SRH/jj
Enclosure

OXY U.S.A., Inc. hereby waives any objection to Yates Energy Corporation dually completing in the Morrow and Strawn formations the Desert Rose Federal #1 Well, located 1740' FSL & 660' FEL (E/2 spacing unit) of Section 27, Township 23 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

OXY U.S.A., Inc.

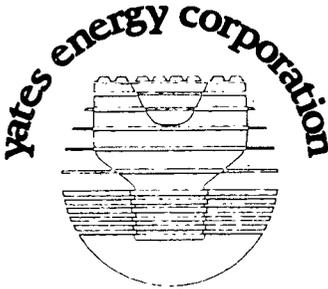
By: Richard E. Foyriano

Title: Regulatory Affairs Engr.

Date: 10-18-90

OIL CONSERVATION DIVISION
RECEIVED

1990 OCT 29 AM 9 58



October 25, 1990

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

Re: Application for dual completion
Desert Rose Federal #1
Eddy County, NM

Dear Mr. Stogner:

In accordance with Division Rule 1207, I hereby certify that on October 10th and 11th notice was mailed to the operators and interested parties listed in Exhibit "A", concerning said application.

Copies of the actual correspondence were provided in our application dated October 15, 1990, but are enclosed for your reference.

This letter and attachments are being filed in triplicate.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SUSCRIBED AND SWORN TO before me this 25th day of October, 1990 by Sharon R. Hamilton.

My Commission Expires:

MAY 20, 1992

Notary Public

SRH/jj
Enclosures

EXHIBIT "A"

OXY U.S.A., Inc.
Attention: Richard E. Foppiano
P. O. Box 50250
Midland, Texas 79710

Bureau of Land Management
Attention: Shannon Shaw
P. O. Box 1778
Carlsbad, New Mexico 88220

P 340 897 102

RECEIPT FOR CERTIFIED MAIL

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

U.S.G.P.O. 1988-234-555

PS Form 3800, June 1985

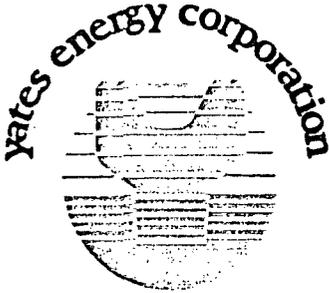
Sent to Richard E. Foppiano/OXY USA	
Street and No. P. O. Box 50250	
P.O., State and ZIP Code Midland, TX 79710	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date 10/11/90	

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. (Extra charge)
- 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Richard E. Foppiano OXY USA, Inc. P.O. Box 50250 Midland, TX 79710	4. Article Number P-340-897-102
	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 <input type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 10/17	



October 10, 1990

VIA FAX (915) 685-5635

OXY U.S.A., Inc.
P. O. Box 50250
Midland, Texas 79710

Attention: Richard E. Foppiano
Regulatory Affairs Advisor

Re: Application of Yates Energy
Corporation for NMOCD administrative
approval for dual completion of the
Desert Rose Federal #1
1740' FSL & 660' FEL
Section 27-23S-23E
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Dear Mr. Foppiano:

Please be advised that Yates Energy Corporation will be requesting from the New Mexico Oil Conservation Division administrative approval to dual complete the captioned well in the Strawn and Morrow formations. The Strawn formation is currently producing, with the Morrow completed behind pipe. This letter shall serve as notification to you, as an offset operator, of the proposed dual completion.

We would request that you notify us whether or not you will protest said dual completion. If you do not intend to protest said procedure, 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 New Mexico Oil Conservation Division.

Your cooperation and prompt attention is greatly appreciated.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

*Signed waiver
w/ mail per
Rec'd 10-18-90*

SRH/jj
Enclosure

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

P 340 897 101

RECEIPT FOR CERTIFIED MAIL

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

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

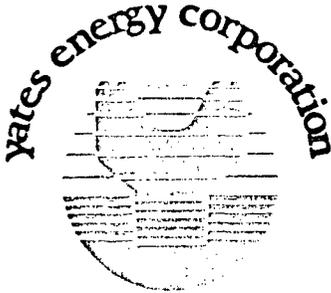
Sent to Shannon Shaw/BLM	
Street and No. P. O. Box 1778	
P.O., State and ZIP Code Carlsbad, NM 88220	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date 10/11/90	

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

3. Article Addressed to: Shannon Shaw Bureau of Land Management P.O. Box 1778 Carlsbad, NM 88220	4. Article Number P-340-897-101
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 <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Betty Hill</i>	
7. Date of Delivery 10/15/90	



October 11, 1990

Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Attention: Shannon Shaw

Re: Application of Yates Energy
Corporation for N.M.O.C.D.
administrative approval of the
Desert Rose Federal #1
1740' FSL & 660' FEL
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Please advise should you require any additional information.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/ij

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