

4/3/98

4/23/98

MS

KV

NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production-Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply[A] ☐ Working, Royalty or Overriding Royalty Interest Owners[B] ☐ Offset Operators, Leaseholders or Surface Owner[C] ☐ Application is One Which Requires Published Legal Notice[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
 Signature

Attorney for Applicant
 Title

4/3/98
 Date

Print or Type Name

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

April 3, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Harvey E. Yates Company ("HEYCO") applies for administrative approval of an unorthodox gas well location for the following well:

Fontaine "28" St. Com. Well No. 1
1200 feet FSL & 1650 feet FWL
§28, Township 18 South, Range 34 East, NMPM
Lea County, New Mexico

HEYCO plans to drill the well to a depth sufficient to test the Morrow formation (Undesignated La Rica-Morrow Gas Pool). Well spacing is 640 acres, with wells to be located no closer than 1650 feet to the outer boundary of the unit, nor closer than 330 feet to a quarter-quarter section line.¹ An APD and a Form C-102 for the well are attached as Exhibits A and B.

The proposed location is based on geologic reasons. Attached as Exhibit C is an isopach of the Lower Morrow, which is the main pay zone in this area. The Morrow is a northwest-southeast trending channel sand, which thins as you move north and east from the proposed location. The unorthodox location will enable HEYCO to penetrate approximately 40 feet of Morrow sand, which HEYCO believes is necessary to have a commercial well. Thus, the unorthodox location will increase the chances of completing a commercial well.

Attached as Exhibit D is a land plat of the subject area. HEYCO

¹See Order No. R-4058.

operates the acreage highlighted in yellow. The offsetting lessees in Section 32 are Texaco Exploration and Production Inc., Mewbourne Oil Company, and Matador Petroleum Corporation.² The offset lessees have been notified of this application, as evidence by the notice letter attached hereto as Exhibit E. The well unit and the affected offsetting acreage is all state minerals.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Harvey
E. Yates Company

²Matador owns the UNOCAL interests in Section 32.

District I
PO Box 1980, Hobbs, NM 88241-1980

District II

PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-101
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease-6 Copies
Fee Lease-5 Copies

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Harvey E. Yates Company P.O. Box 1933 Roswell, N.M. 88202		OGRIID Number 10179 API Number 30-0
Property Code	Property Name FONTAINE 28 STATE COM	WELL NO. 1

Surface Location

UL or Lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	28	T-18S	R-34E		1200	SOUTH	1650	WEST	LEA

Proposed Bottom Hole Location If Different From Surface

UL or Lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Proposed Pool 1

Proposed Pool 2

LA RICA MORROW

Work Type Code	Well Type Code	Cable/Rotary	Lease Type Code	Ground Level Elevation
N	G	ROTARY	S	4027
Multiple	Proposed Depth	Formation	Contractor	Spud Date
N	13,800	MISSISSIPPIAN	PETERSON DRILLING	15-May-98

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	400'	425	CIRC. TO SURFACE
12 1/4"	8 5/8"	32#	3,100'	1200	CIRC. TO SURFACE
7 7/8"	5 1/2"	17 & 20#	13,800'	1200	600' ABOVE PAY

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program if any. Use additional sheets if necessary.

MUD PROGRAM

DEPTH TYPE OF MUD
0-400 FRESH WATER w/ PAPER & SHALE GUARD.
400-3100 BRINE WATER w/ PAPER & SHALE GUARD.
3100-10400 FRESH WATER w/ PAPER, SHALE GUARD, N03, 18-20,000 CHLORIDES, & SWEEPS AS NEEDED.
10400-13800 MUD UP WITH DRISPAC & BENTONITE GEL PRIOR TO WOLFCAMP

PRESSURE CONTROL EQUIPMENT

BOP w/ ANNULAR. ALTHOUGH THE RIG EQUIPMENT IS RATED 3M, THIS WELL WILL BE RATED 2M.
UPPER AND LOWER KELLY COCK. ROTATING HEAD PRIOR TO WOLFCAMP.

OTHER

THIS IS A POSSIBLE H2S AREA. AN H2S COMPLIANCE PACKAGE WILL BE UTILIZED.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature *Bob Williams*

Printed name: Bob Williams

Title: Drilling Superintendent

Date: 3-17-98

Phone: 505-623-6601

OIL CONSERVATION DIVISION

Approved by

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached

EXHIBIT

A

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Braxos Rd., Artec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	La Rica Morrow	Pool Name
Property Code	Property Name FONTAINE 28 STATE COM.		Well Number 1
OGRID No. 010179	Operator Name HARVEY E. YATES COMPANY		Elevation 4027

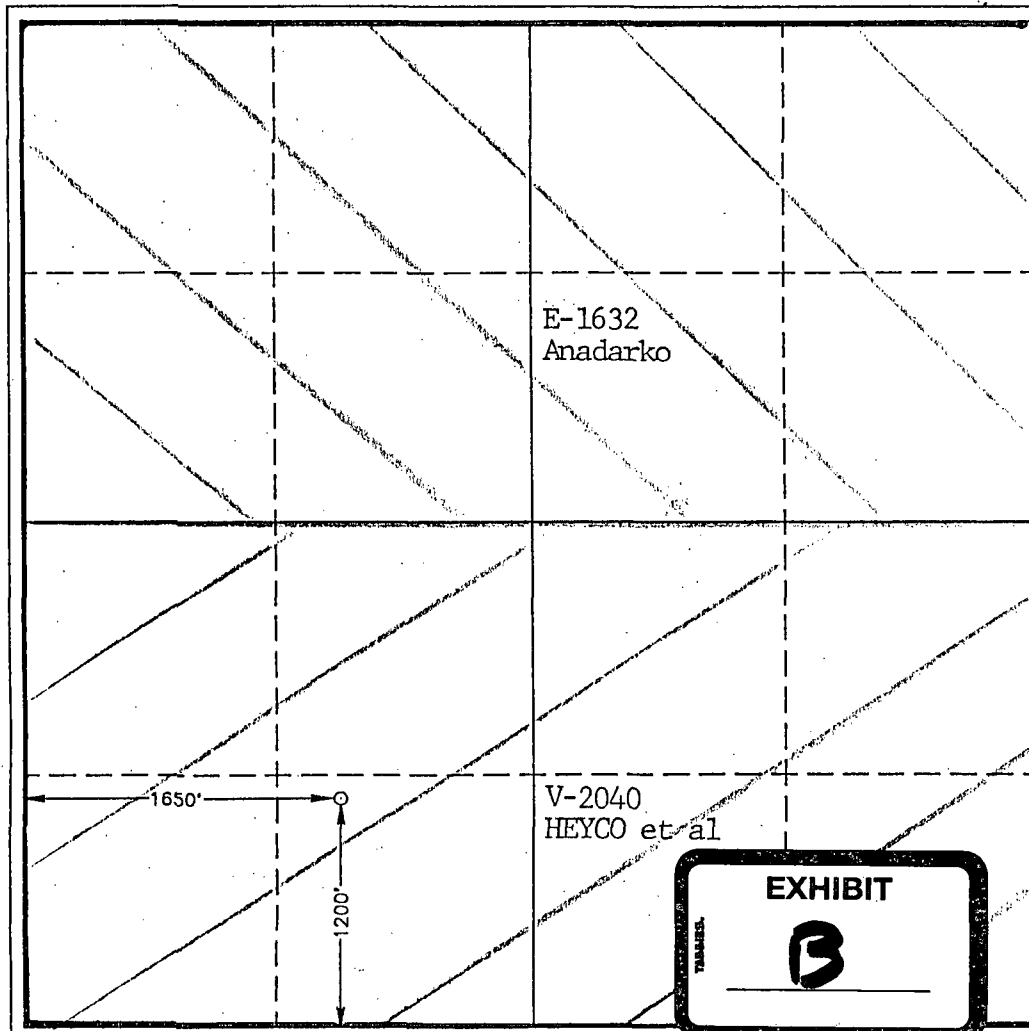
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	28	18 S	34 E		1200	SOUTH	1650	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 640		Joint or Infill	Consolidation Code	Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Bob Williams

Signature

Bob Williams

Printed Name

Drilling Superintendent

Title

3/16/98

Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

MARCH 11, 1998

Date Surveyed

REYNOLD J. EIDSON

Signature & Seal of Professional Surveyor

REYNOLD J. EIDSON

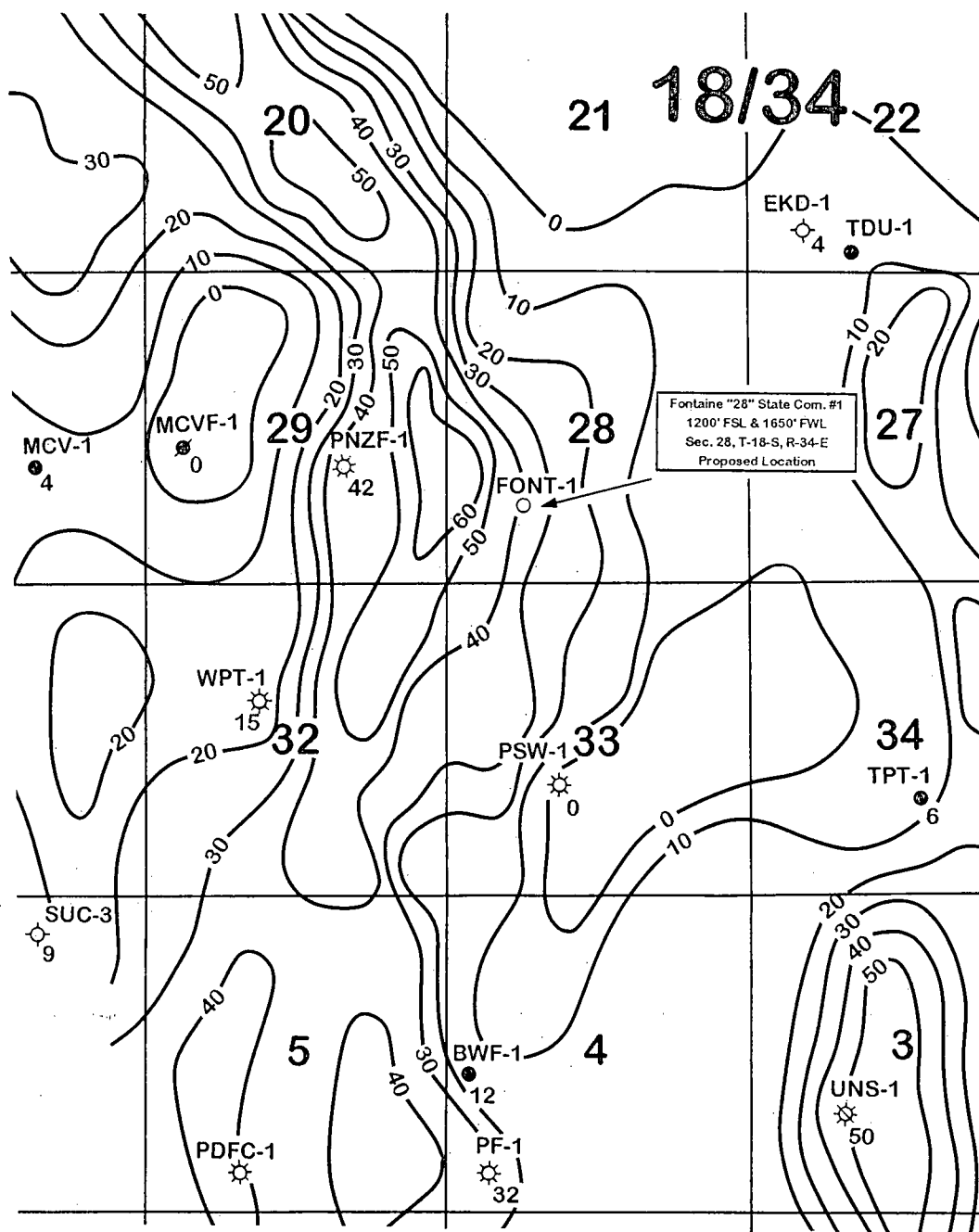
NO. 98-11-0432

Certificate No.

REYNOLD J. EIDSON, 3239

REYNOLD J. EIDSON, 12641

MACON McDONALD, 12165



HARVEY E. YATES CO.

ROSWELL, NEW MEXICO

NET SAND ISOPACH MAP - LOWER MORROW SANDS

C.I. : 10'

WELLS > 13,000' TD

F. MESSA

MARCH 1998

EXHIBIT

C

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

April 3, 1998

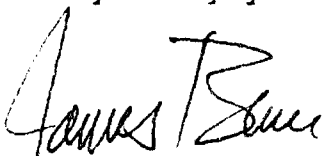
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: PERSONS LISTED ON EXHIBIT A

Dear Sirs:

Harvey E. Yates Company has filed an application at the New Mexico Oil Conservation Division seeking administrative approval of an unorthodox location for a well located 1200 feet from the south line and 1650 feet from the west line of Section 28, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico. The well will test the Morrow formation (La Rica-Morrow Gas Pool), and all of Section 28 will be dedicated to the well. A copy of the application is enclosed. HEYCO's records indicate that you are an offset lessee to the proposed well. If you object to the application, you must file a written objection with the Division no later than April 23, 1998 (2040 South Pacheco Street, Santa Fe, New Mexico 87505; Attention: Michael E. Stogner).

Very truly yours,



James Bruce

Attorney for Harvey
E. Yates Company



EXHIBIT A

Texaco Exploration and Production Inc.
P.O. Box 3109
Midland, Texas 79702

Attention: Ron Lanning

Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701

Attention: Steve Cobb

Matador Petroleum Corporation
Suite 158
8340 Meadow Road
Dallas, Texas 75231

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4434
Order No. R-4058
NOMENCLATURE

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR THE CREATION OF
A NEW GAS POOL AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 28, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 10th day of November, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Union Oil Company of California, seeks the creation of a new gas pool for Morrow production in Lea County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 640-acre spacing and proration units and fixed well location requirements.

(3) That the Union Oil Company of California Pipeline Federal Well No. 1, located 660 feet from the South line and 760 feet from the West line of Section 4, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, having its top perforations at 13,420 feet, has discovered a separate common

source of supply which should be designated the La Rica-Morrow Gas Pool; that the vertical limits of said pool should be the Morrow formation and that the horizontal limits of said pool should be all of said Section 4.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the La Rica-Morrow Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the La Rica-Morrow Gas Pool, at which time the operators in the subject pool should appear and show cause why the La Rica-Morrow Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the La Rica-Morrow Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated the La Rica-Morrow Gas Pool, with vertical limits comprising

the Morrow formation and horizontal limits comprising the following-described area:

LEA COUNTY, NEW MEXICO
TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 4: All

(2) That temporary Special Rules and Regulations for the La Rica-Morrow Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
LA RICA-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the La Rica-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in

the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the La Rica-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before December 1, 1970.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the La Rica-Morrow Gas Pool shall have dedicated thereto

-5-

CASE No. 4434

Order No. R-4058

640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 640 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the La Rica-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this cause shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the La Rica-Morrow Gas Pool, at which time the operators in the subject pool may appear and show cause why the La Rica-Morrow Gas Pool should not be developed on 320-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in the La Rica-Morrow Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4434
Order No. R-4523

IN THE MATTER OF CASE 4434 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF ORDER NO. R-4058, WHICH ORDER
ESTABLISHED SPECIAL RULES AND REGULATIONS
FOR THE LA RICA-MORROW GAS POOL, LEA
COUNTY, NEW MEXICO, INCLUDING A PROVISION
FOR 640-ACRE PRORATION UNITS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 11, 1973, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 17th day of May, 1973, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-4058, dated November 10, 1970, temporary special rules and regulations were promulgated for the La Rica-Morrow Gas Pool, Lea County, New Mexico, establishing temporary 640-acre spacing units.

(3) That pursuant to the provisions of Order No. R-4058, this case was reopened to allow the operators in the subject pool to appear and show cause why the La Rica-Morrow Gas Pool should not be developed on 320-acre spacing units.

(4) That the evidence establishes that one well in the La Rica-Morrow Gas Pool can efficiently and economically drain and develop 640 acres.

(5) That the Special Rules and Regulations promulgated by Order No. R-4058 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool.

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-4058 should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the La Rica-Morrow Gas Pool, Lea County, New Mexico, promulgated by Order No. R-4058, are hereby continued in full force and effect until further order of the Commission.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

COUNTY *Lea*

POOL *La Rica - Morrow Gas*

TOWNSHIP *18 South*

RANGE *34 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

Ext. All Sec 33 (R-4969, 4-1-75) Ext



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

April 6, 1998

Harvey E. Yates Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Re: *Administrative application on behalf of Harvey E. Yates Company of an unorthodox gas well location in the Undesignated La Rica-Morrow Gas Pool for its proposed Fontaine "28" State Com. Well No. 1 to be drilled 1200 feet from the North line and 1650 feet from the West line (Unit N) of Section 28, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, in which all of said Section 28 is to be dedicated to said well in order to form a standard 640-acre gas spacing and proration unit for said pool.*

Dear Mr. Bruce:

Subsequent to my initial review of the subject application I feel it necessary that the appropriate operator(s)/leasehold interest owner(s) of the corresponding Morrow gas rights in Section 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico be notified of this application. Please reference Division General Rule 104.F(3).

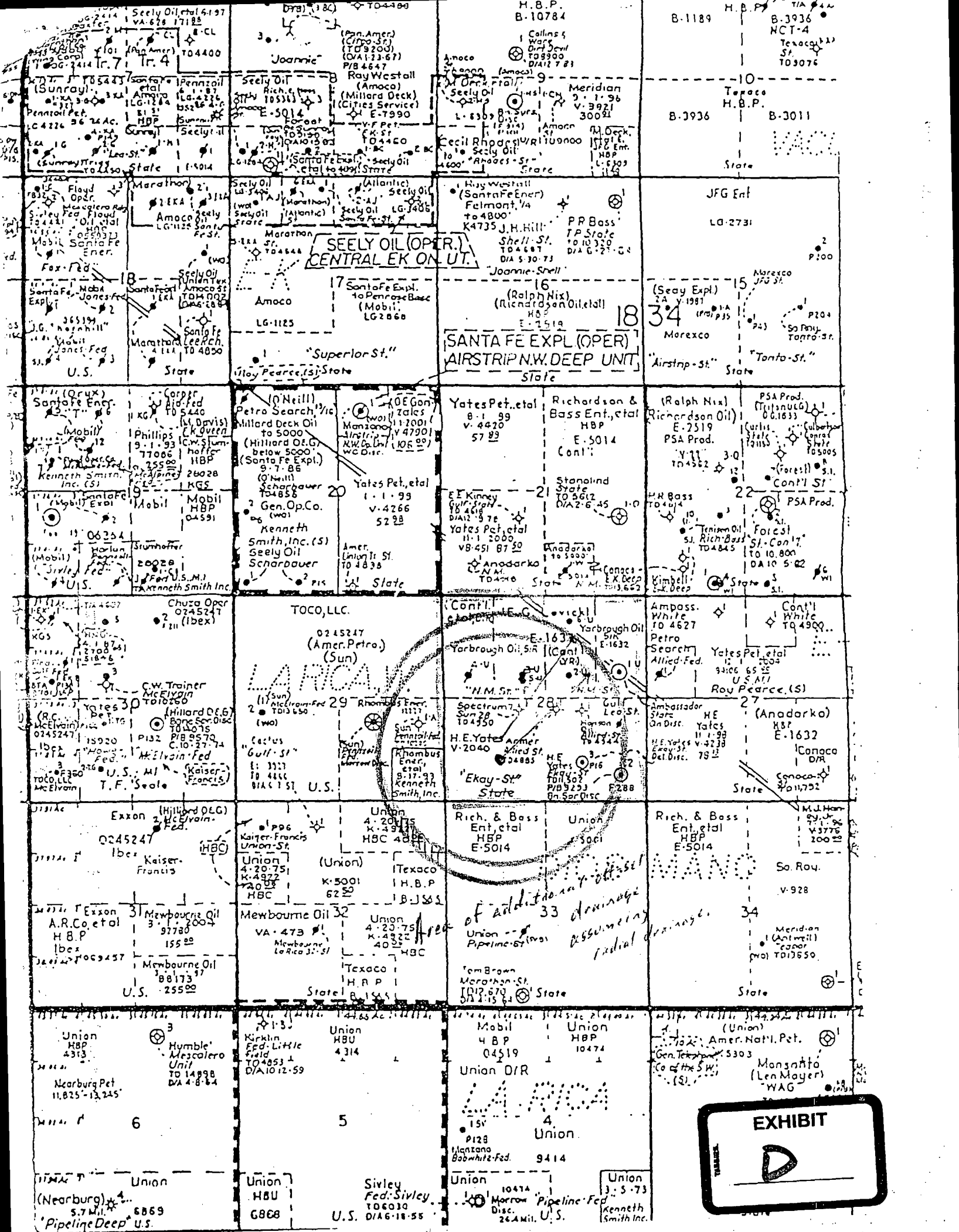
I have attached a copy of this well's C-102 which illustrates my reasoning for this request.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you for your cooperation in this matter.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs

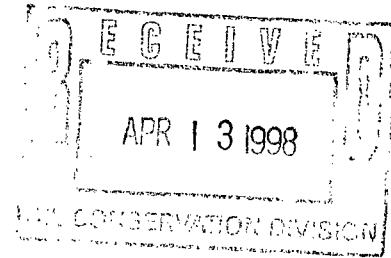


JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



April 8, 1998

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Harvey E. Yates Company
Fontaine "28" St. Com. Well No. 1
1200 feet FSL & 1650 feet FWL
S28, Township 18 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Thank you for your letter of April 6, 1998. Enclosed is a copy of the notice letter I sent to all working interest owners in Section 32, Township 18 South, Range 34 East. (Please note that the UNOCAL acreage is now owned by Matador.)

Thank you for your attention to this matter.

Very truly yours,

James Bruce

Attorney for Harvey
E. Yates Company

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

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April 3, 1998

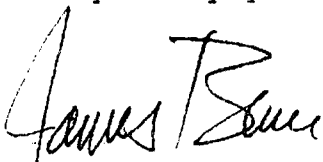
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: PERSONS LISTED ON EXHIBIT A

Dear Sirs:

Harvey E. Yates Company has filed an application at the New Mexico Oil Conservation Division seeking administrative approval of an unorthodox location for a well located 1200 feet from the south line and 1650 feet from the west line of Section 28, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico. The well will test the Morrow formation (La Rica-Morrow Gas Pool), and all of Section 28 will be dedicated to the well. A copy of the application is enclosed. HEYCO's records indicate that you are an offset lessee to the proposed well. If you object to the application, you must file a written objection with the Division no later than April 23, 1998 (2040 South Pacheco Street, Santa Fe, New Mexico 87505; Attention: Michael E. Stogner).

Very truly yours,



James Bruce

Attorney for Harvey
E. Yates Company

EXHIBIT A

Texaco Exploration and Production Inc.
P.O. Box 3109
Midland, Texas 79702

Attention: Ron Lanning

Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701

Attention: Steve Cobb

Matador Petroleum Corporation
Suite 158
8340 Meadow Road
Dallas, Texas 75231

Z 211 155 375

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Mewbourne Oil Company Suite 1020 500 West Texas Midland, Texas 79701	
Attention: Steve Cobb	
Postage	\$.78
Certified Fee	1.33
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.23
Postmark or Date	

PS Form 3800, April 1995

Z 211 155 376

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to Texaco Exploration and Production P.O. Box 3109 Midland, Texas 79702	
Attention: Ron Lanning	
Postage	\$.78
Certified Fee	1.33
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.23
Postmark or Date	

PS Form 3800, April 1995

Z 211 155 377

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to Matador Petroleum Corporation Suite 158 8340 Meadow Road Dallas, Texas 75231	
Postage	\$.78
Certified Fee	1.33
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	APR 1995
TOTAL Postage & Fees	\$ 3.23
Postmark or Date	

PS Form 3800, April 1995