

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. Thomas Kellahin**  
Recognized Specialist in the Area of  
Natural Resources-oil and gas law-  
New Mexico Board of Legal Specialization

P.O. Box 2265  
Santa Fe, New Mexico 87504  
117 North Guadalupe  
Santa Fe, New Mexico 87501

Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

September 8, 2004

**HAND DELIVERED**

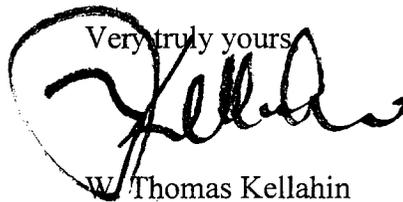
Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Hillburn "13" Well No. 4  
Unit C, NW/4 of Section 13, T16S, R35E  
Application of Chesapeake Operating Company  
for an unorthodox oil well location and  
For simultaneous dedication  
Lea County, New Mexico

2004 SEP 9 AM 8 46  
Case 13346

Dear Mr. Fesmire:

On behalf of Chesapeake Operating Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for October 7, 2004. Also enclosed is our proposed advertisement of this case for the NMOCD docket. This request was originally filed administratively but because of an objection by Yates Petroleum Corporation is being refiled for an Examiner's hearing.

Very truly yours  
  
W. Thomas Kellahin

cc: Chesapeake Operating, Inc.  
Attn: Lynda Townsend  
William F. Carr, Esq.  
Attorney for Yates Petroleum Corporation

CASE 13346 Application of Chesapeake Operating Company for an unorthodox oil well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an order authorizing the drilling and production of its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet from the North line and 1738 feet from the West line of Section 13, Township 16 South Range 35 East, NMPM to be dedicate to a standard 160-acre oil spacing unit consisting of the NW/4 of this section for any production for any formation/pools developed on 160-acre oil spacing within that Strawn formation including the North Shoe Bar-Strawn Pool. Applicant further seeks approve to simultaneous dedication of this well and the Hillburn Well No. 1 (API 30-035-24473) and the Hillburn Well No. 3 (API 30-025-35596) to this spacing unit. This well is located approximately 4.5 miles southwest from Lovington, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF CHESAPEAKE OPERATING COMPANY  
FOR AN UNORTHODOX OIL WELL LOCATION  
AND SIMULTANEOUS DEDICATION,  
LEA COUNTY, NEW MEXICO.**

CASE NO. *13346*

**APPLICATION**

CHESAPEAKE OPERATING COMPANY ("Chesapeake") by its attorneys, Kellahin & Kellahin, and seeks an order authorizing the drilling and production of its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet from the North line and 1738 feet from the West line of Section 13, Township 16 South Range 35 East, NMPM to be dedicate to a standard 160-acre oil spacing unit consisting of the NW/4 of this section for any production for any formation/pools developed on 160-acre oil spacing within that vertical extent including the North Shoe Bar-Strawn Pool. Applicant further seeks approve to simultaneous dedication of this well and the Hillburn Well No. 1 (API 30-035-24473) and the Hillburn Well No. 3 (API 30-025-35596) to this spacing unit.

In support of its application Chesapeake states:

1. Chesapeake proposes to drill its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet FNL and 1738 feet FWL (Unit C) of Section 13, T16S, R35E, Lea County, New Mexico and dedicated to a 160-acre oil spacing unit consisting of the NW/4 of this section.
2. This spacing unit is subject, among other things, to the Special Rjules and Regulations for the North Shoe Bar-Strawn Pool (Order R-4658-B) providing for standard 160-acre oil spacing unit and locations within 150 feet of the center of a governmental quarter-quarter section.

3. Chesapeake, based upon geologic data, believes that its proposed unorthodox well location will provide a better opportunity to access potential production in the Strawn formation within this spacing unit than at the closest standard well location and that cannot be produced by any other Strawn well within this spacing unit
4. In accordance with the Division's notice requirements, a copy of this application has been sent to those parties affected by the unorthodox well location as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 7, 2004.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on October 7, 2004 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving this well location and the requested simultaneous dedication.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-4285  
Fax: (505) 982-2047

**EXHIBIT "A"**

Offsetting Notice:

Section 12: South Half

Operator: Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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-Quantified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]  
 [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  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  
 [D] Other: Specify \_\_\_\_\_

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply  
 [A]  Working, Royalty or Overriding Royalty Interest Owner  
 [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

**RECEIVED**  
 SEP 1 2004  
 Oil Conservation Division  
 1220 S. St. Francis Drive  
 Santa Fe, NM 87505

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

KELLAHIN & KELLAHIN

Attorneys At Law

P.O. Box 2265

Santa Fe, NM 87504-2265

Date

9/1/04

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. Thomas Kellahin**  
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New Mexico Board of Legal Specialization

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kellahin@earthlink.net

September 1, 2004

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Hillburn "13" Well No. 4  
Unit C of Section 13, T16S, R35E  
Administrative Application of Chesapeake Operating Company  
for an unorthodox gas well location,  
North Shoe Bar-Strawn Pool  
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Operating Company, please find enclosed our  
referenced administrative application.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.  
Attn: Lynda Townsend

2004 AUG 32 PM 1 30

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

**IN THE MATTER OF THE APPLICATION  
OF CHESAPEAKE OPERATING COMPANY  
FOR AN UNORTHODOX OIL WELL LOCATION,  
LEA COUNTY, NEW MEXICO.**

**ADMINISTRATIVE APPLICATION**

CHESAPEAKE OPERATING COMPANY ("Chesapeake") by its attorneys, Kellahin & Kellahin, and seeks an order authorizing the drilling and production of its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet from the North line and 1738 feet from the West line (Unit C) of Section 13, Township 16 South Range 35 East, NMPM to be dedicate to a standard 160-acre oil spacing unit dedicated to production from the North Shoe Bar-Strawn Pool.

In support of its application Chesapeake states:

1. Chesapeake proposes to drill its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet FNL and 1738 feet FWL (Unit C) of Section 13, T16S, R35E, Lea County, New Mexico and dedicated to a 160-acre oil spacing unit consisting of the NW/4 of this section. **See C-102 attached as Exhibit "A"**
2. This spacing unit is subject, among other things, to the Special Rules and Regulations for the North Shoe Bar-Strawn Pool (Order R-4658, dated November 10, 1973) requiring 160-acre standard spacing units and well to be located with 150-feet of the center of a quarter-quarter section.
3. This spacing unit contains the following wells:
  - a. Hillburn Well No. 1
    - i. API 30-025-24473—See C-102 attached as **Exhibit "B"**
    - ii. Location: 660 feet FWL and 1980 feet FNL (Unit E)
    - iii. Status: downhole commingled Wolfcamp and Strawn
    - iv. Current Rate: 3-5 BPOD
    - v. Results: CUM'd 456MBO and 1.1BCF
    - vi. Porosity thickness about 40 feet
      - a. Well has depleted the Strawn reservoir in the W/2NW/4 of Section 13-**See Exhibit "E"**

- b. Hillburn Well No. 2
  - i. API 30-025-29349—See C-102 attached as **Exhibit “C”**
  - ii. Location: 1190 feet FNL and 1980 feet FWL (Unit C)
  - iii. Results: drilled to Strawn-missed Strawn reservoir
  - iv. Status: completed and produce from Wolfcamp
  
- c. Hillburn Well No. 3
  - i. API 30-025-35596—See C-102 attached as **Exhibit “D”**
  - ii. Location:
    - 1. Surface: 660 feet FNL and 510 feet FWL
    - 2. #1 lateral: 1563 feet southeast of surface
    - 3. #2 lateral: 1330 feet south of surface
  - iii. Results: currently makes about 3 BPOD from Strawn
  - iv. Status: drilled to Strawn, vertical and two horizontals with the wellbore path not completely horizontal. It was deviated down through the Strawn at an angle such that by the time it got to where the Strawn porosity would have been, it was below the Strawn porosity. It's bottom hole location (TD) is in the Atoka.

#### TECHNICAL EVIDENCE

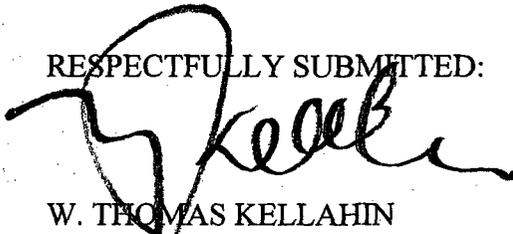
- 4. Chesapeake, based upon geologic data, believes that its proposed unorthodox well location will provide a better opportunity to access potential production in the Strawn formation that cannot be produced the other wells within this spacing unit:
  - a. Isopach of Strawn mound. **See Exhibit “E”**
    - i. This strawn mound is not present at the closest standard location
    - ii. This unorthodox location is estimated to be within 40 foot thickness counter as shown on Exhibit “E”
    - iii. The Hillburn Well No. 3 results increase the need for the requested unorthodox well location
  
  - b. Arbitrary seismic line. **See Exhibit “F”**

**NOTIFICATION**

5. Chesapeake's proposed location encroaches towards the S/2 of Section 12 operated by Yates Petroleum Corporation.
6. In accordance with the Division's notice requirements, a copy of this application has been sent to Yates Petroleum Corporation. See **Exhibit "G"** and **"G-1"** attached

WHEREFORE, Chesapeake, as applicant, requests that the Division enter its order approving this requested unorthodox well location

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-4285  
Fax: (505) 982-2047

**DISTRICT I**  
1635 N. French Dr., Hobbs, NM 58240

**DISTRICT II**  
611 South First, Artesia, NM 88210

**DISTRICT III**  
1000 Rio Brazos Rd., Artesia, NM 87410

**DISTRICT IV**  
2040 South Pecos, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1990

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

**OIL CONSERVATION DIVISION**

2040 South Pecos  
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code	Pool Name
Property Code	Property Name <b>HILLBURN "13"</b>	Well Number <b>4</b>
OGUID No.	Operator Name <b>CHESAPEAKE OPERATING INC.</b>	Elevation <b>3969</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16 S	35 E		335	NORTH	1738	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	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**

	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p><b>JULY 07, 2004</b></p> <p>Date Surveyed _____</p> <p>Signature <i>Gary L. Jones</i> Professional Surveyor NEW MEXICO 1977</p> <p>W.O. No. 4436</p> <p>Certified by Gary L. Jones 7977 PROFESSIONAL LAND SURVEYOR</p> <p>JLP</p>

**EXHIBIT**  
**A**

NEW MEXICO OIL CONSERVATION COMMISSION  
 WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
 Supersedes C-128  
 Effective 1-1-65

All distances must be from the outer boundaries of the Section.

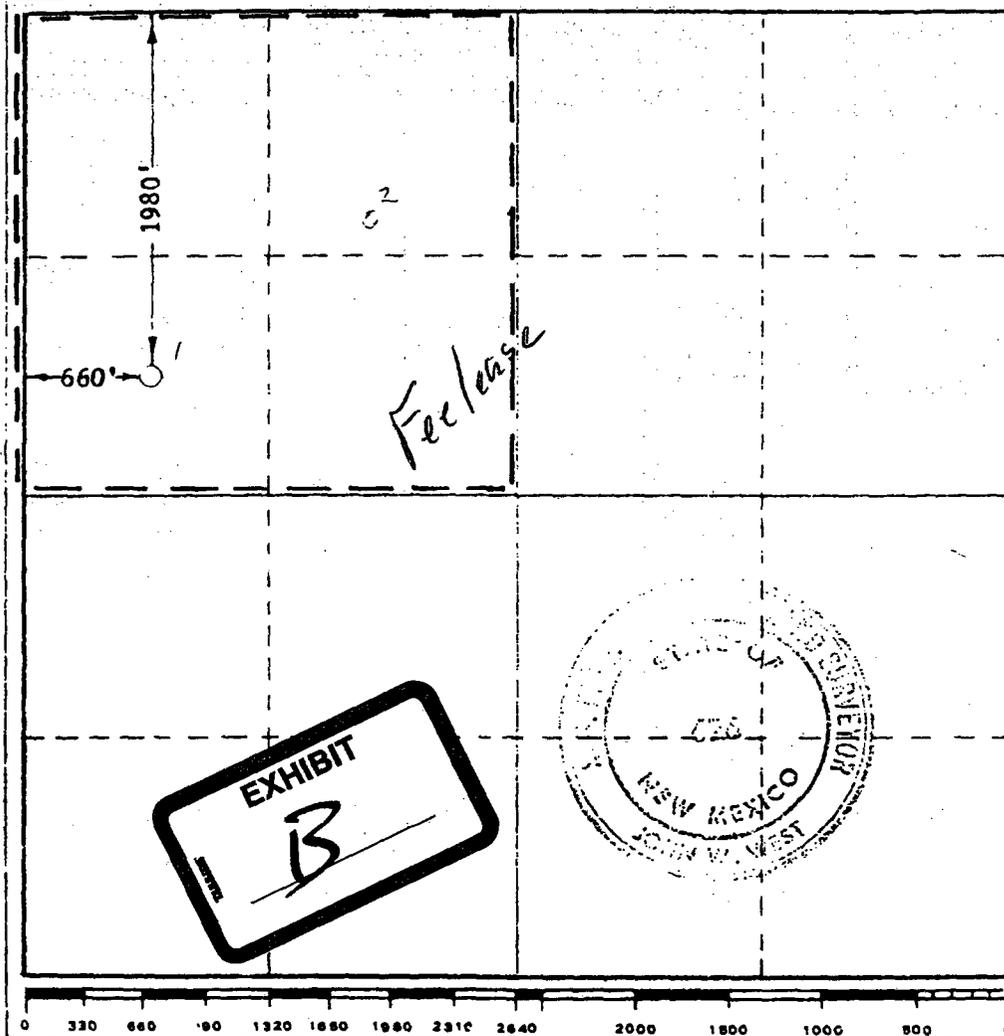
Operator <b>Conoco Inc.</b>			Lease <b>HILBURN</b>		Well No. <b>1</b>
Unit Letter <b>E</b>	Section <b>13</b>	Township <b>16 SOUTH</b>	Range <b>35 EAST</b>	County <b>LEA</b>	
Actual Footage Location of Well: <b>660</b> feet from the <b>EAST</b> line and <b>1980</b> feet from the <b>NORTH</b> line					
Ground Level Elev. <b>3967'</b>	Producing Formation <b>Wolfcamp</b>		Pool <b>North Shoe Bar Wolfcamp</b>	Dedicated Acreage: <b>160</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes  No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

*Joseph W. Hoover*  
 Name  
 Regulatory Coordinator  
 Position  
 Conoco Inc.  
 Company  
 10/15/90  
 Date

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 knowledge and belief.

Date Surveyed  
**JUNE 5, 1973**  
 Registered Professional Engineer  
 and/or Land Surveyor  
*John W West*  
 Certificate No. **676**

All distances must be from the outer boundaries of the Section.

Operator <b>Mesa Petroleum Co.</b>		Lease <b>Hilburn</b>		Well No. <b>2</b>
Unit Letter <b>C</b>	Section <b>13</b>	Township <b>16S</b>	Range <b>35E</b>	County <b>Lea</b>
Actual Footage Location of Well: <b>1190</b> feet from the <b>north</b> line and <b>1980</b> feet from the <b>west</b> line				
Ground Level Elev. <b>3967'</b>	Producing Formation <b>Wolfcamp 3 Brothers Bank</b>	Pool <b>Shoobar Wolfcamp North</b>	Dedicated Acreage: <b>160</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

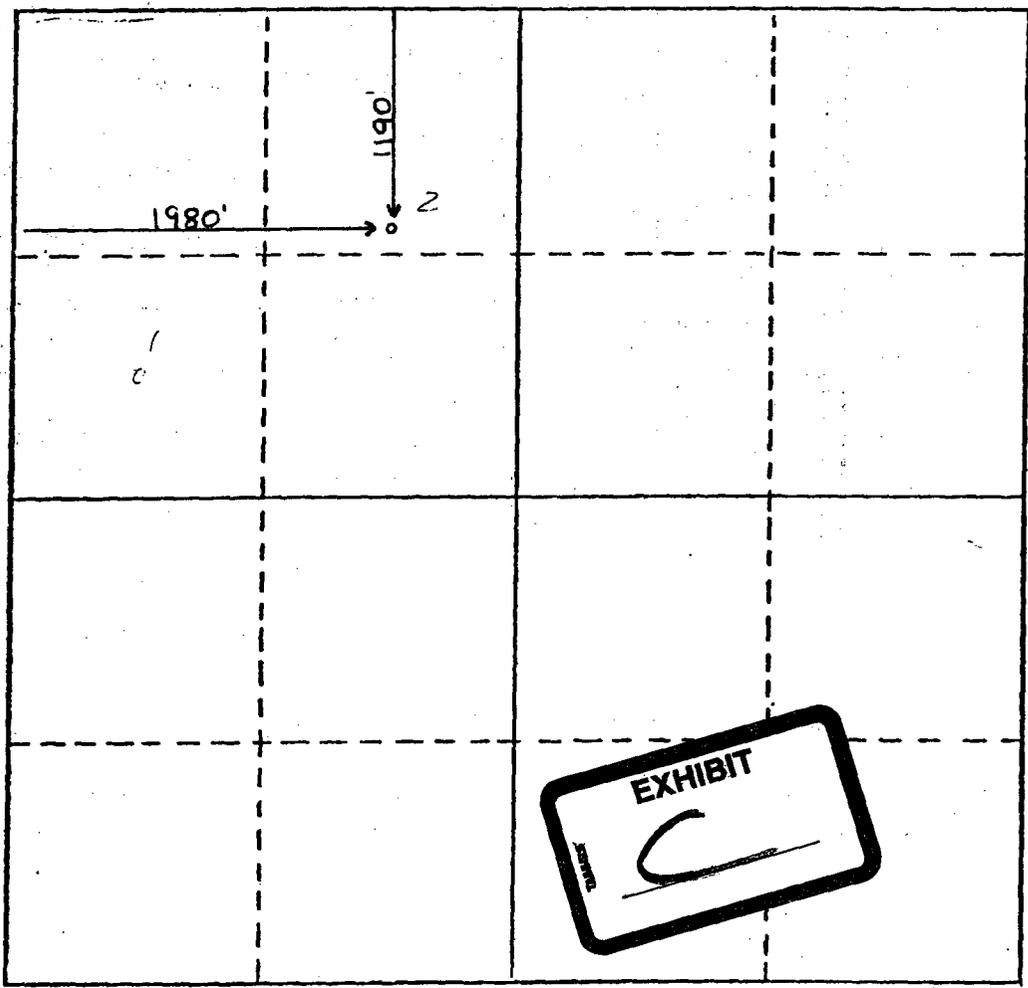
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes  No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



**CERTIFICATION**

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

*Carolyn Cummings*  
Name **Carolyn Cummings**

Position **Regulatory Clerk**

Company **Mesa Petroleum Co.**

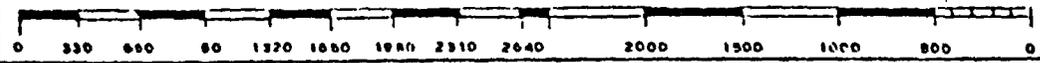
Date **October 8, 1985**

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 knowledge and belief.

Date Surveyed \_\_\_\_\_

Registered Professional Engineer and/or Land Surveyor \_\_\_\_\_

Certificate No. \_\_\_\_\_



DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer 80, Artesia, NM 88211-0718

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

AMENDED REPORT

DISTRICT III  
1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-35596</b>	Pool Code <b>56270</b>	Pool Name <b>NORTH SHOE BAR (STRAWN)</b>
Property Code <b>25993</b>	Property Name <b>HILBURN</b>	Well Number <b>3</b>
OGED No. <b>25797</b>	Operator Name <b>PERMIAN RESOURCES, INC.</b>	Elevation <b>3968</b>

Surface Location

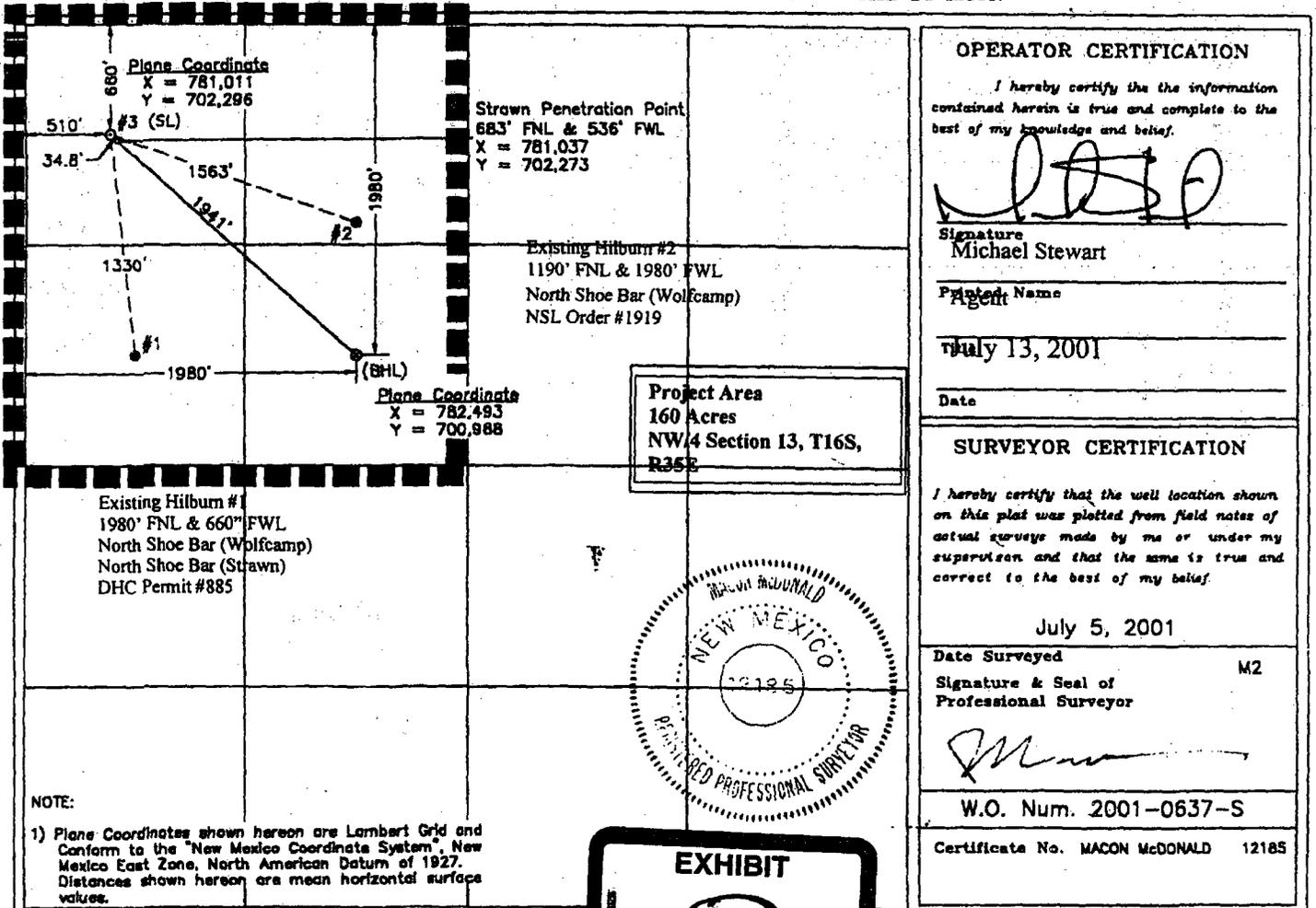
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	16 S	35 E		660	NORTH	510	WEST	LEA

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
F	13	16 S	35 E		1980	NORTH	1980	WEST	LEA

Dedicated Acres <b>160</b>	Joint or Infill	Consolidation Code	Order No.
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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

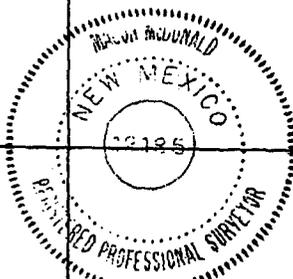
I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

*[Signature]*  
Signature  
Michael Stewart  
Printed Name  
Agent  
July 13, 2001  
Date

SURVEYOR CERTIFICATION

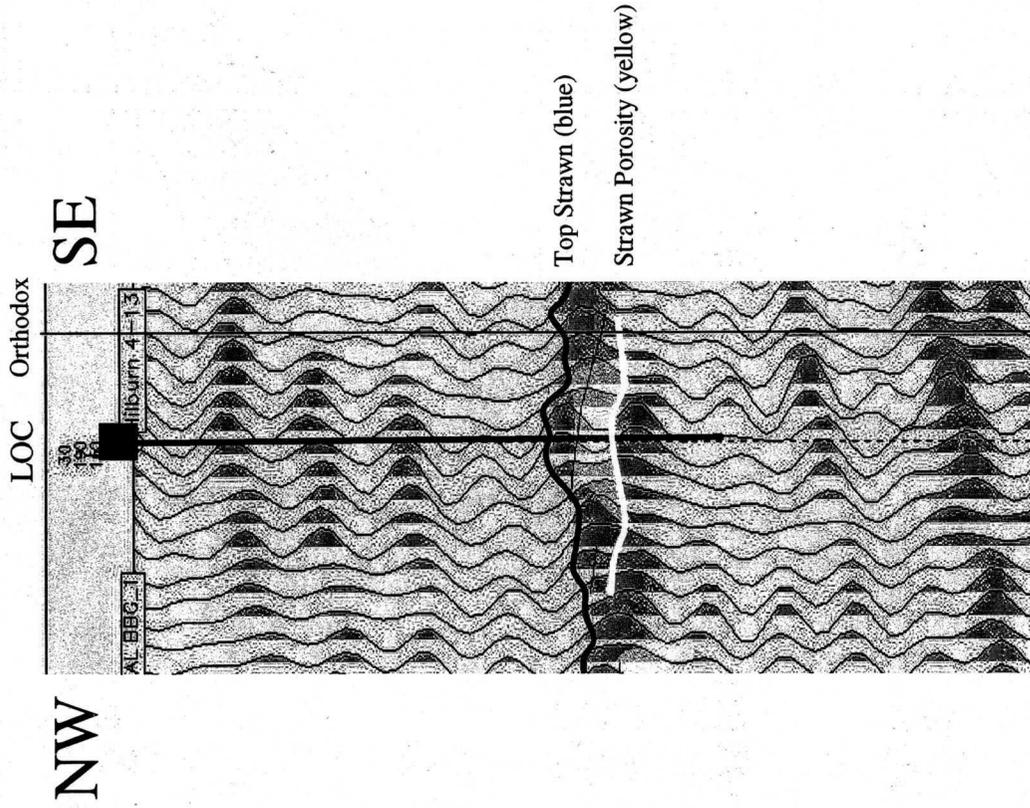
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

July 5, 2001  
Date Surveyed  
Signature & Seal of Professional Surveyor  
*[Signature]*  
W.O. Num. 2001-0637-S  
Certificate No. MACON McDONALD 12185





# Arbitrary Seismic Line



Hillburn 13-4  
13C-T16S-R35E  
330' FNL & 1734' FWL



**EXHIBIT "G"**

Offsetting Notice:

Section 12: South Half

Operator: Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

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Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

September 1, 2004

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED**

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION  
DIVISION ADMINISTRATIVE CASE:**

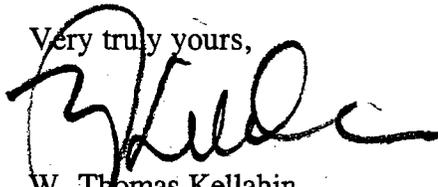
*Yates Petroleum Corporation*  
*105 South Fourth Street*  
*Artesia, New Mexico 88210*  
*Attn: Randy Patterson*

*Re: Administrative Application of Chesapeake Operating Company for  
approval of unorthodox well location for its Hillburn "13" Well No. 4, Unit C  
Section 13, T16S, R35E, Lea County, New Mexico.*

Dear Mr. Patterson:

On behalf of Chesapeake Operating Company, please find enclosed a copy of its referenced administrative application. If Yates has no objection, then there is nothing for you to do. If Yates is willing to waiver objection, please sign this letter as indicated and return it to me. However, should Yates have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude Yates from objecting at a later date.

Very truly yours,



W. Thomas Kellahin

**WAIVER OF OBJECTION:**

By: \_\_\_\_\_ with authority for  
and on behalf of Yates Petroleum Corporation  
Date: \_\_\_\_\_

