



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

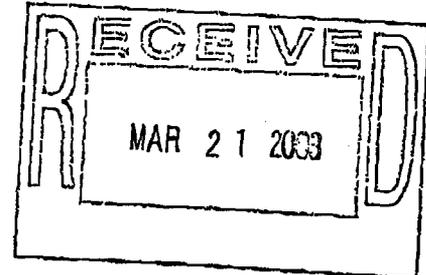
Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

March 18, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: **Robert Bullock**



Re: Administrative application submitted on March 10, 2003 (administrative application reference No. pKRV0-307027225) for: (i) unorthodox infill gas well location in the Pecos Slope-Abo Gas Pool; (ii) unorthodox infill oil well location in the Pecos Slope-Pennsylvanian Pool; and (iii) unorthodox deep-gas well location for any and all formations below the top of the Wolfcamp formation spaced on 320 acres, for Yates Petroleum Corporation's proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico.

Dear Mr. Bullock:

Since the proposed well in which the subject application was filed is located within the Pecos Slope-Abo Gas Pool and is therefore subject to the "Special Rules and Regulations for the Pecos Slope-Abo Gas Pool," as promulgated by Division Order No. R-9976-C, dated March 19, 1996 (see copy attached). As you are aware, since Yates Petroleum Corporation was the applicant in the cases that set forth the special pool rules governing the Pecos Slope-Abo Gas Pool and has been notified twice within the last year on two other administrative applications, these rules do not include an administrative procedure for authorizing unorthodox gas well locations (see Rule 5). This application will therefore be set for hearing and will be placed on the next available docket scheduled for April 10, 2003.

The following ad has been prepared and submitted for publication:

"Application of Yates Petroleum Corporation for an unorthodox location, Chaves County, New Mexico. Applicant seeks an: (i) unorthodox infill gas well location in the Pecos Slope-Abo Gas Pool; (ii) unorthodox infill oil well location in the Pecos Slope-Pennsylvanian Pool; and (iii) unorthodox deep-gas well location for any and all formations below the top of the Wolfcamp formation spaced on 320 acres, for its proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, which is located approximately 13.5 miles north of the Pecos River bridge on U. S. Highway 70. The proposed location is an exception to the well location requirements provided within the "Special Rules and Regulations for the

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 13045 Exhibit No. 1

Submitted by:

YATES PETROLEUM CORPORATION

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, NM 87505 * (505) 476-3440 * Fax (505) 476-3462 * <http://www.oilconservation.com>

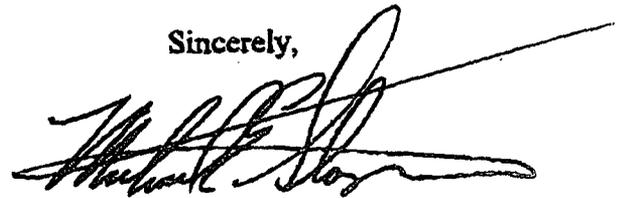
Meeting Dates: August 7, 2003

Yates Petroleum Corporation
March 18, 2003
Page 2

Pecos Slope-Abo Gas Pool", as promulgated by Division Order No. R-9976-C, for an infill well within an existing standard 160-acre Abo gas spacing unit comprising the NW/4 of Section 26. This unit is currently dedicated to the applicant's George "QJ" Federal Well No. 6 (API No. 30-005-61546), located at a standard gas well location 660 feet from the North line and 990 feet from the West line (Unit D) of Section 26. This location is also an exception to the well location requirements provided within the "Temporary Special Pool Rules for the Pecos Slope-Pennsylvanian Pool", as promulgated by Division Order No. R-11721, for an infill oil well within an existing standard 320-acre stand-up oil spacing and proration unit comprising the W/2 of Section 26. This 320-acre Pennsylvanian oil unit is currently dedicated to the applicant's George "QJ" Federal Well No. 10 (API No. 30-005-63368), located at a standard oil well location 660 feet from the South line and 1500 feet from the West line (Unit N) of Section 26. Further, in accordance with Division Rule 104.C (2) (a) the proposed George "QJ" Federal Well No. 11 is also unorthodox for any and all gas bearing formations below top of the Wolfcamp formation for a standard 320-acre stand-up gas spacing unit comprising the W/2 of Section 26."

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
Ms. Florene Davidson - NMOCD, Santa Fe
Ms. Kathy Valdes - NMOCD, Santa Fe
U. S. Bureau of Land Management - Roswell

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

April 2, 2003

RECEIVED

APR 3 2003

Oil Conservation Division

Ms. Lori Wrottenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

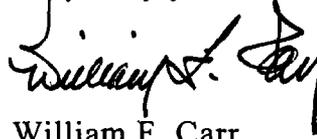
Re: New Mexico Oil Conservation Division Case No. 13045:
Application of Yates Petroleum Corporation for an unorthodox
location, Chaves County, New Mexico.

Dear Ms. Wrottenbery:

The above-referenced application was originally set for hearing because the Special Pool Rules and Regulations for the Pecos Slope-Abo Gas Pool provide that applications for unorthodox well locations may only be approved following notice and hearing. On April 1, 2003, Yates filed an application with the Division seeking the amendment of these rules to abolish this requirement and to otherwise conform the Special Pool Rules and Regulations for this pool and the West Pecos Slope-Abo Gas Pool to Rule 104.D(2) and Rule 104.F of the General Rules and Regulations of the Oil Conservation Division. This case is set for hearing on April 24, 2003.

Yates therefore withdraws the application in this case and requests that the above-referenced hearing on this application be dismissed.

Very truly yours,



William F. Carr

cc: Mr. Randy Patterson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 13045
ORDER NO. R-11942

APPLICATION OF YATES PETROLEUM CORPORATION FOR AN
UNORTHODOX LOCATION, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 10, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of April, 2003, the Division Director, having considered the record and the recommendations of the Examiner,

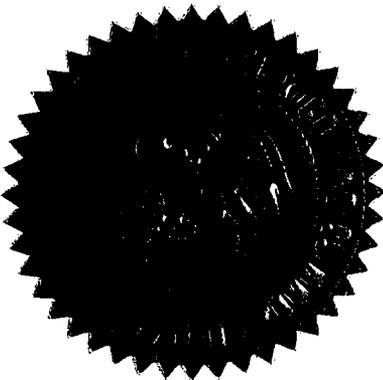
FINDS THAT:

The applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED THAT:

Case No. 13045 is hereby dismissed.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Lori Wrotenbery in cursive script.

LORI WROTENBERY
Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

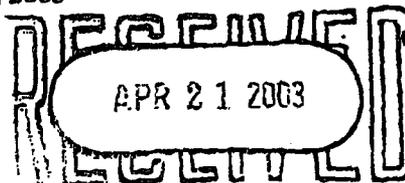
BILL RICHARDSON

Governor
Joanna Prukop
Cabinet Secretary

April 17, 2003

Lori Wrotenbery
Director

Oil Conservation Division



Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: Robert Bullock

Re: Amended administrative application dated March 27, 2003 (*administrative application reference No. pKRV0-307027225*) for an unorthodox infill oil well location within the Pecos Slope-Pennsylvanian Pool (97189) for Yates Petroleum Corporation's proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico.

Dear Mr. Bullock:

This letter acknowledges the Division's receipt on March 31, 2003 of your amended administrative application for the above-described unorthodox infill oil well location.

Our preliminary review indicates that the information provided in the application is not sufficient to process an administrative order at this time. While your geologic explanation was clear in explaining several points you failed to provide support data in the form of subsurface mapping and/or cross-sections to illustrate your points, making your reasoning meaningless.

Since the submitted information is insufficient to review, the application was ruled as incomplete on April 17, 2003. Please submit the necessary supplemental geologic data by Friday, April 25, 2003.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. If the necessary information is not submitted, your application will be returned to you.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
U. S. Bureau of Land Management – Roswell



John W. F. Carr

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

April 29, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: Robert Bullock

Re: *Amended administrative application dated March 27, 2003 (administrative application reference No. pKRV0-307027225) for an unorthodox infill oil well location within the Pecos Slope-Pennsylvanian Pool (97189) for Yates Petroleum Corporation's proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico.*

Dear Mr. Bullock:

Reference is made to my letter dated April 17, 2003 concerning the subject amended administrative application being incomplete and request for support data.

Approximately two years ago this bureau enacted a policy whereby any incomplete administrative filing older than 30 days is to be withdrawn and returned. This policy, as I understand, was adopted to better serve our customers and help assure a quicker turn around time by this bureau on administrative filings. To date you have not submitted the needed supplemental data necessary to complete your application. In as much as this application had previously been set for hearing because a portion of your request could not be approved through the administrative review process, but was dismissed and resubmitted without including that particular zone; this matter will be placed back on the docket scheduled for May 22, 2003 and re-advertised in the following manner:

"CASE 13045 (REOPENED AND READVERTISED): Application of Yates Petroleum Corporation for an unorthodox infill oil well location, Chaves County, New Mexico. Applicant seeks an unorthodox infill oil well location in the Pecos Slope-Pennsylvanian Pool for its proposed George "QJ" Federal Well No. 11 to be drilled 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, which is located approximately 13.5 miles north of the Pecos River bridge on U. S. Highway 70. This location will be an exception to the well location requirements provided within the "*(Temporary) Special Pool Rules for the Pecos Slope-Pennsylvanian Pool*", as promulgated by Division Order No. R-11721, and made permanent by Division Order No. R-11721-A, for an infill oil well within an existing standard 320-acre stand-up oil spacing and proration unit comprising the W/2 of Section 26. This 320-acre Pennsylvanian oil unit is currently dedicated to the applicant's George "QJ" Federal Well No. 10 (API No. 30-005-63368), located at a standard oil well location 660 feet from the South line and 1500 feet from the West line (Unit N) of Section 26".

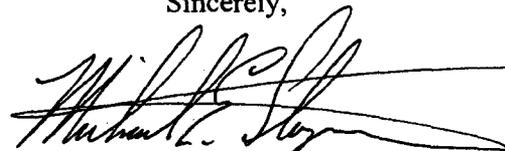
Yates Petroleum Corporation

April 29, 2003

Page 2

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
✓ William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
Ms. Florene Davidson – NMOCD, Santa Fe
Ms. Kathy Valdes – NMOCD, Santa Fe
U. S. Bureau of Land Management - Roswell