



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

May 10, 1999

12197

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

**Attention: Robert Bullock**

*Re: Application dated April 15, 1999 for the Yates Petroleum Corporation to drill its proposed Concho "ACT" State Com. Well No. 1 at an unorthodox gas well location to test the Undesignated Crow Flats-Morrow Gas Pool 1650' FSL & 660' FEL (H) of Section 8, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Bullock:

On May 3, 1999 the Division received an objection from Chi Energy, Inc. to the subject application, see copy of a letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for June 10, 1999. Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia  
U. S. Bureau of Land Management – Carlsbad  
Chi Energy, Inc. (Attention: John W. Qualls) – Midland, Texas  
William F. Carr, Legal Counsel for Yates Petroleum Corporation – Santa Fe  
Kathy Valdes, NMOCD – Santa Fe

*Chi Energy, Inc.*

*P. O. Box 1799  
Midland, TX 79702*

FAX TRANSMISSION

DATE SENT: 5-2-99 TIME SENT: 1:45 pm

TO: NAME: Michael F. Stogner  
LOCATION: OCID - Santa Fe New Mexico  
TELEPHONE/FAX NO.: 505-827-8177

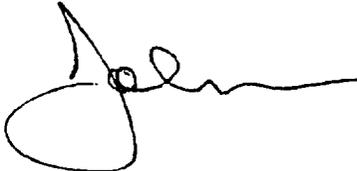
FROM: NAME: John Qualls  
LOCATION: Midland Texas  
TELEPHONE/FAX NO.: 915-685-5001/915-687-2662

NUMBER OF PAGES: 1 + COVER

MEMO:

Mr. Stogner:

The hard copy is being mailed  
by overnight mail today. Thanks



**CHI ENERGY, INC.**

P.O. BOX 1799

MIDLAND, TEXAS 79702

May 2, 1999

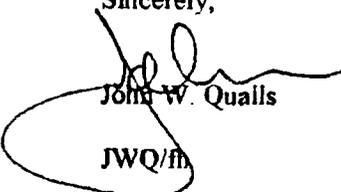
Mr. Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

**Re: Yates Petroleum Corporation  
Unorthodox Morrow Gas Well Location  
Concho ACT State Com. #1  
Township 17 South, Range 27 East, N.M.P.M.  
Section 8: 1650' FNL & 660' FEL  
Eddy County, New Mexico**

Dear Mr. Stogner:

Chi Energy, Inc. owns a working interest in OXY USA Inc.'s operated Wallace #1, Wallace #3 and the LD #4 offsetting the proposed unorthodox location referenced above. Chi believes the referenced unorthodox location is an effort to drain reserves underlying Chi's leasehold causing waste and thus should be denied. Please advise when this application will be scheduled for a formal hearing.

Sincerely,



John W. Qualls

JWQ/m