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January 3, 2000

HAND DELIVERED

David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: **Oil Conservation Division Case 12310**: Application of Yates Petroleum Corporation to amend the Special Pool Rules and Regulations for the Burton Flat-Morrow Gas Pool to conform these rules to the general spacing and acreage dedication requirements of the Oil Conservation Division, Eddy County, New Mexico.

Dear Mr. Catanach:

Yates Petroleum Corporation is attempting to secure Division approval of two unorthodox well locations in the Morrow formation, Burton Flat-Morrow Gas Pool. When we contacted the Division to determine if the wells would qualify for administrative approval, it was suggested that we file the above-referenced application to conform the Special Pool Rules and Regulations for this pool to the new general spacing rules of the Division adopted in August of this year. As you are aware, at the time of the hearing on this application, Yates presented an affidavit confirming that notice of this application had been provided to all affected operators in the pool. No order has been entered in this case.

It now appears that this application is unnecessary. The Burton Flat-Morrow Gas Pool was created by Division Order No. R-4486 dated March 1, 1973 and Special Rules and Regulations for the pool were adopted on January 16, 1974 by Order No. R-4706. Division Order No. R-8170-E entered on April 2, 1990, suspended these rules during a test period which ran from April 1, 1990 to September, 1991. At the conclusion of this test period the Division entered Order No. R-8170-E-1 which, among other things, provides as follows:

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"(4) Said pool shall be governed by the General Rules and Regulations applicable for gas wells in southeast New Mexico currently completed in the Morrow formation."

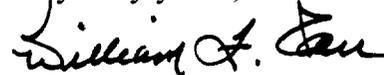
A copy of Order No. R-8170-E-1 is attached for your easy reference.

It therefore appears that the Burton Flat-Morrow Gas Pool is governed by the new spacing and well location requirements adopted by the Division in August of this year which provide for 320-acre gas well spacing for the Morrow formation with wells to be located not closer than 660 feet from the outer boundary of any quarter section nor closer than 10 feet to any quarter-quarter.

If this interpretation of the rules is correct, the subject Yates wells are at standard well locations and Yates requests that this case be dismissed. Yates further requests that the District Office in Artesia be advised that this pool is governed by the state wide rules and that the Yates applications may be approved.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr

Attorney for Yates Petroleum Corporation

WFC/md

cc: Janet Richardson