

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6093
E-MAIL: law@westofpecos.com

August 17, 2000

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Chosa "ATR" Federal Well No. 1, to be located 2250 feet from the South line and 1060 feet from the West line of Section 8, Township 25 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.*

Dear Ms. Wrotenbery:

Yates Petroleum Corporation, pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1999, hereby seeks administrative approval of an unorthodox well location for its Chosa "ATR" Federal Well No. 1 to be drilled to the Morrow formation, Undesignated Chosa Draw-Morrow Gas Pool, to a depth of approximately 12,000 feet at an unorthodox well location 2250 feet from the South line and 1060 feet from the West line of Section 8, Township 25 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing and proration unit comprised of the W/2 Section 8 will be dedicated to the well.

This location in the Morrow formation is unorthodox because Rule 104.C.(2) of the General Rules of the Oil Conservation Division provide for wells on 320-spacing and proration units to be located no closer than 660 feet to any governmental quarter section line. The proposed location is unorthodox because it is too close to interior quarter section line (390 feet from

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the North line of the SW/4 of Section 8).

This unorthodox location is required by topographic and geologic conditions. Yates originally proposed this well at a standard location 1650 feet from South line and 660 feet from the West line of Section 8. However, the well location had to be moved due to the Black River to the south and a cave to the northwest. Yates again had to move the well due to archeological sites to the west and south of the proposed location.

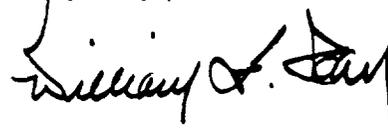
Attached hereto as Exhibit A is a map which shows the topographic conditions described above. On this Exhibit, "A", "B" and "C" mark the three locations which Yates has proposed for the well. As you will see, both locations "A" and "B" are near the Black River. There is a fire hearth on the South side of location "A" and a cave on the western side of both locations "A" and "B". Further, the BLM requested that the well location be moved away from the river. Accordingly, Yates moved the well to the north and east into a flat area shown by the "C" mark.

Exhibit B is an Morrow Pay Sand Thickness map which shows that moving the well to the NW/4 of Section 8 would place the well in a much thinner portion of the sand where the chances of drilling a successful Morrow well would be greatly reduced. Accordingly the proposed location is the best remaining location for a commercial Morrow well in the W/2 of Section 8.

Exhibit C is a plat which shows the subject area, the 320-acre spacing unit comprised of all of the W/2 of Section 8 and the proposed unorthodox location. Since this location is only unorthodox to an interior quarter line, there are no adjoining or diagonal spacing units towards which the well location encroaches. Accordingly, there are no affected parties to whom this application needs to be provided.

Your attention to this application is appreciated.

Very truly yours,

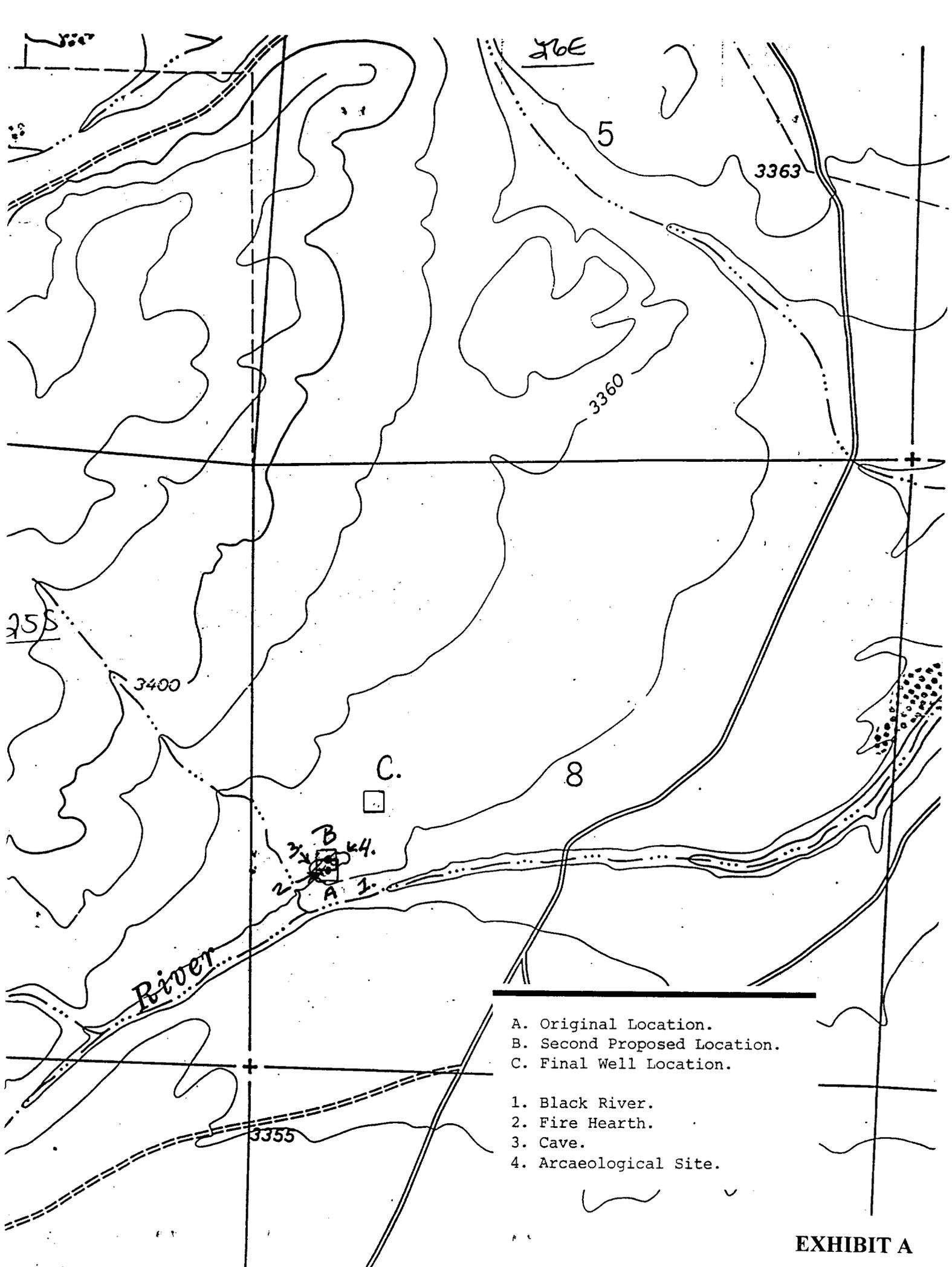


William F. Carr

Attorney for Yates Petroleum Corporation

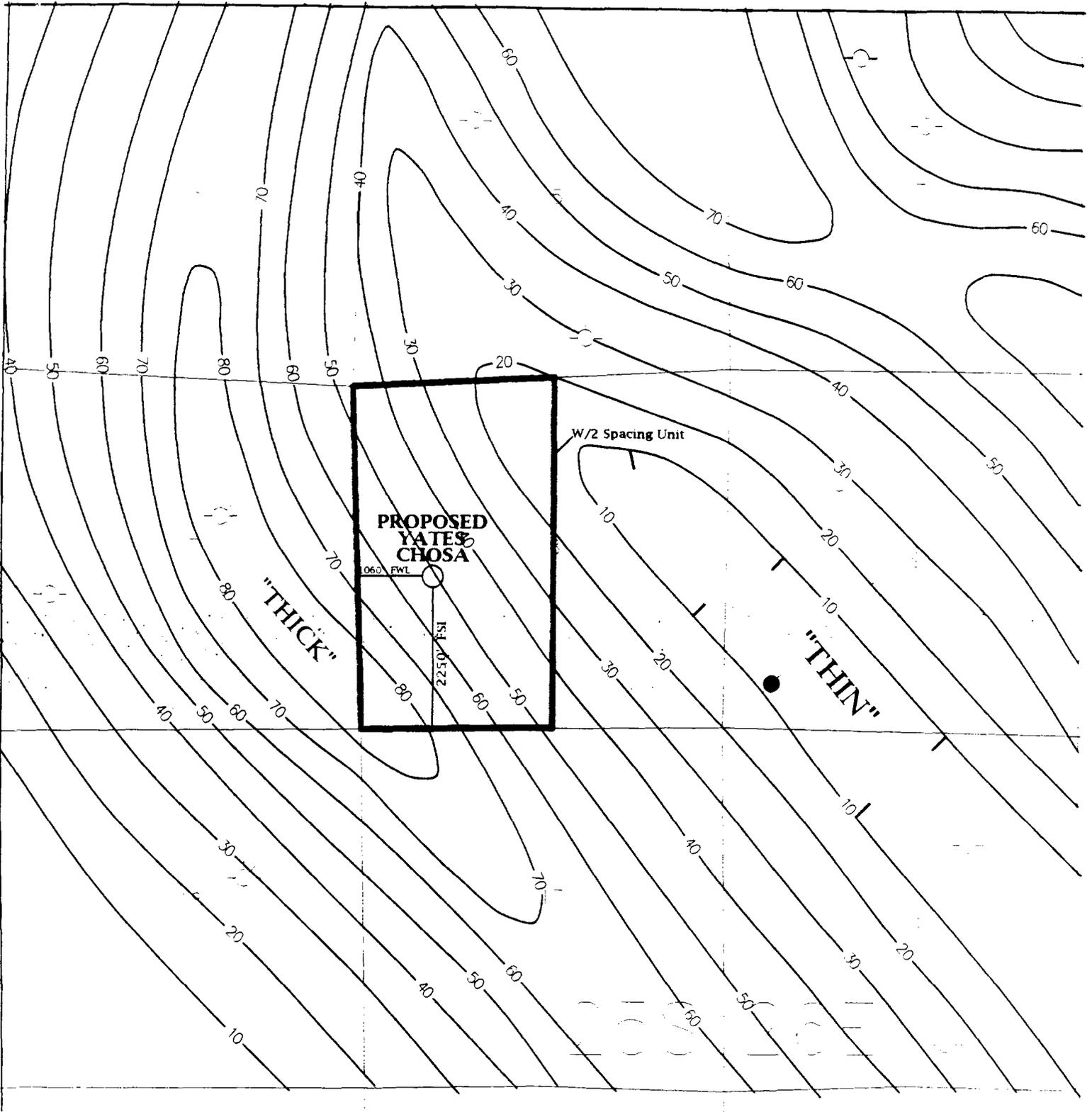
Enclosures

cc: Janet Richardson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88201



- A. Original Location.
- B. Second Proposed Location.
- C. Final Well Location.
- 1. Black River.
- 2. Fire Hearth.
- 3. Cave.
- 4. Archaeological Site.

EXHIBIT A



Yates Petroleum Corporation

NEW MEXICO WEST
SD 25S 26E CHOSA
Morrow Pay Sand Thickness

Shane Donaldson

07.12.2000

chosa.gpf

Scale 1:24000

0" = 10'

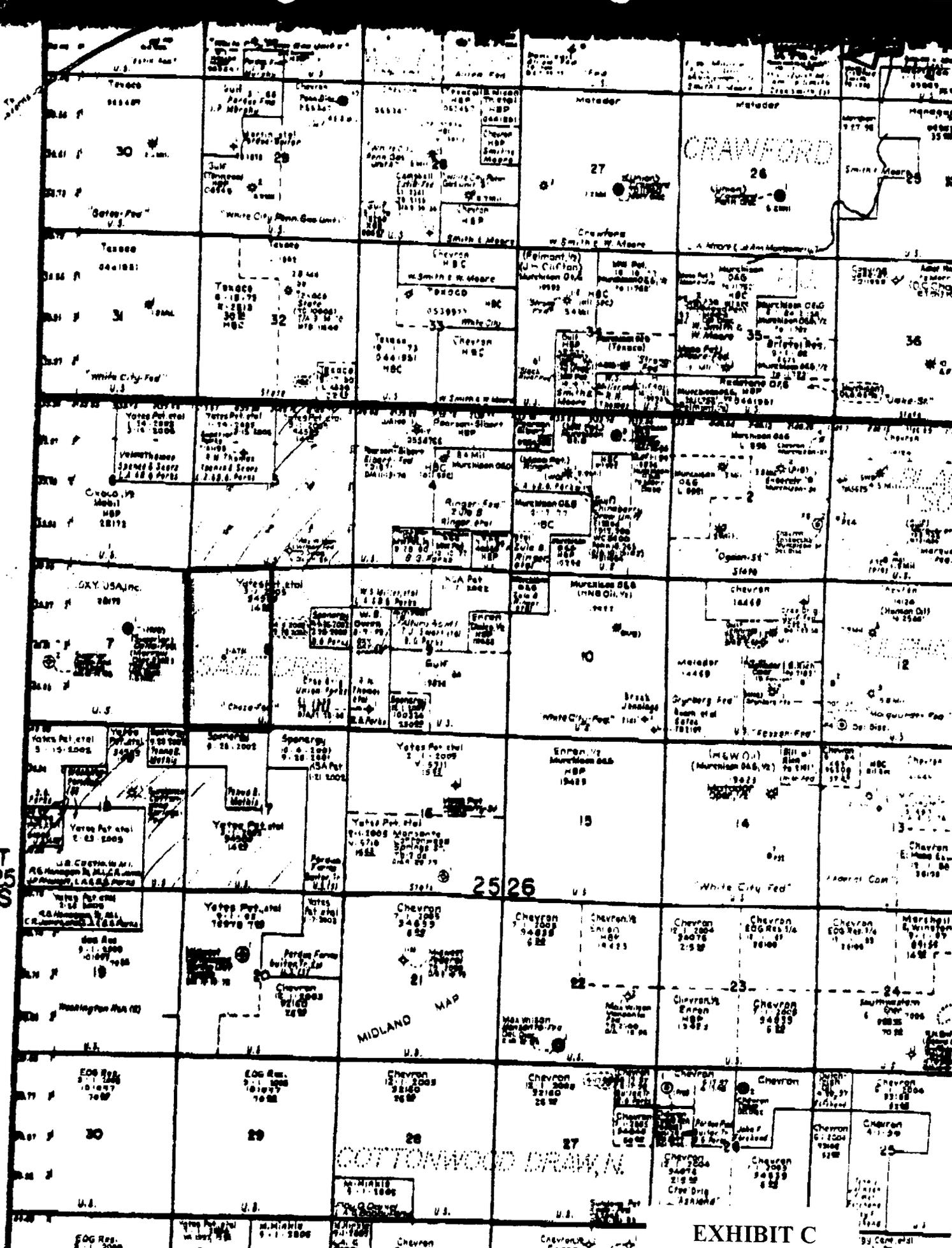


EXHIBIT C