



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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

August 16, 1990

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Attention: Ken Beardemphl, Landman

Administrative Order NSL-2845

Dear Mr. Beardemphl:

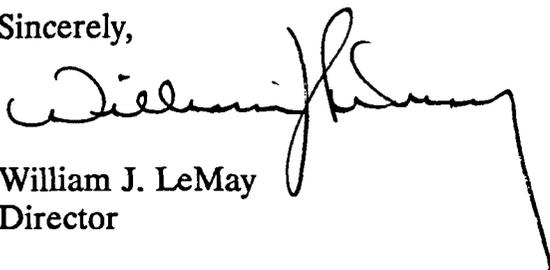
Reference is made to your application dated May 22, 1990 for a non-standard location for your Hillview "AHE" Federal Com Well No. 3, formerly known as the Penny Federal Well No. 1, located 660 feet from the South line and 1980 feet from the West (Unit N) of Section 23, Township 20 South, Range 24 East, NMPM, South Dagger Draw Upper Pennsylvanian Associated Pool, Eddy County, New Mexico. The W/2 of said Section 23 shall be dedicated to the well forming either a standard 320-acre oil or gas spacing and proration unit.

The records on this well indicate that the original operator, Rodger C. Hanks, spudded this well on April 17, 1971 and drilled it to a total depth of 7936 feet to test the Cisco-Canyon formation, the S/2 of said Section 23 was originally dedicated to the well forming a standard 320-acre gas spacing and proration unit in which this well location was standard. On May 24, 1971 the well was completed in the Cisco formation as an "oil well" and had dedicated thereto the SE/4 SW/4 (Unit N) of said Section 23. By Division Order No. R-4637 the South Dagger Draw-Upper Pennsylvanian Associated Pool was created and defined. Special rules were also promulgated in which oil and gas wells would both be spaced on 320 acres. Apparently the W/2 was rededicated to this well at that time and the unorthodox well location was authorized by virtue of Decretory Paragraph No. (1) on page 7 of said order. In March 1983, this well was recompleted to the Wolfcamp formation and had its location approved by Administrative Order NSL-1685.

*Administrative Order NSL-2845
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At this time, Yates Petroleum Corporation has made a proper filing pursuant to Rule 5 of said Order No. R-4637 for an unorthodox well location in the South Dagger Draw Upper Pennsylvanian Associated Pool; therefore the above-described unorthodox well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad