



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 7, 1996

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sherdan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

AMENDED Administrative Order NSL-3692

Dear Mr. Carr:

Reference is made to your application dated August 5, 1996 on behalf of the operator, Yates Petroleum Corporation ("Yates"), to amend Division Administrative Order NSL-3692, dated July 11, 1996, which order authorized Yates to drill its Mimosa "AHS" Federal Well No. 3 at an unorthodox location for both the Morrow formation and Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool 660 feet from the South line and 330 feet from the East line (Unit P) of Section 4, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.

It is our understanding while drilling the Mimosa "AHS" Federal Well No. 3 Yates experienced down-hole problems that resulted in the abandonment of this wellbore prior to reaching total depth. The drilling rig was skidded to the south approximately 25 feet and a replacement wellbore, designated the Mimosa "AHS" Federal Well No. 3-Y, was commenced.

This amended application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

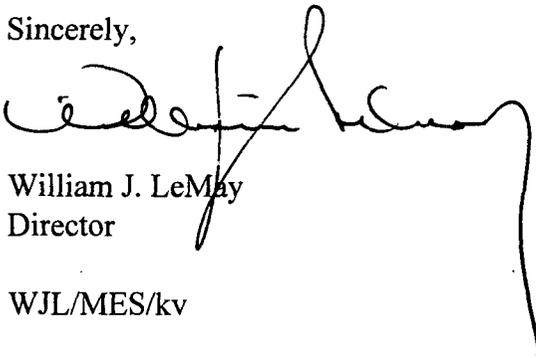
By the authority granted me under the provisions of RULE 2(c) of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico/Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool*", as promulgated by Division Order No. R-5353, as amended, and Division General Rule 104.F(2), Yates is hereby authorized to drill its Mimosa "AHS" Federal Well No. 3-Y to test both the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool and deeper Morrow

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formation at an unorthodox location 635 feet from the South line and 330 feet from the East line (Unit P) of said Section 4. Further, the S/2 of said Section 4 is to be dedicated to said well thereby forming a standard 320-acre spacing and proration unit in the South Dagger Draw-Upper Pennsylvanian Associated Pool and either the Undesignated Cemetery-Morrow Gas Pool or Undesignated West Dagger Draw-Morrow Gas Pool.

Said original Administrative Order NSL-3692 shall be placed in abeyance until further notice.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad