

NSL 4/16/97

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
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

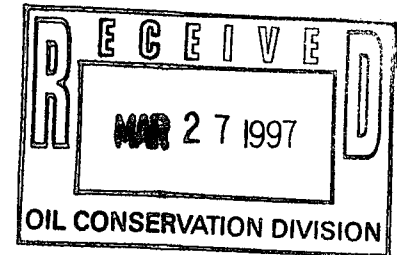
NSL-2 PLS. 31

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 27, 1997

HAND-DELIVERED

William J. LeMay, 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 Quest AQS State Well No. 1, 660 feet from the South line and 1980 feet from the East line of Section 3, Township 24 South, Range 33 East, N.M.P.M., Lea County, New Mexico*

Dear Mr. LeMay:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Quest AQS State Well No. 1 to be drilled at an unorthodox well location 660 feet from the South line and 1980 feet from the East line Section 3, Township 24 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

The well will be drilled to a depth sufficient to test the Morrow formation. This location in the Wolfcamp formation, a principal objective in this well, is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320- spacing units to be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary.

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
March 27, 1997
Page 2

This unorthodox location is required by geological conditions in the Wolfcamp and Morrow formations. Attached hereto as Exhibits A and B are a Wolfcamp Limestone Debris Flow Isolith Map and a Morrow Clastics Isolith of the Johnson Ranch Area which show the proposed unorthodox location and immediate offsetting well. These exhibits demonstrates that moving to the proposed unorthodox location results in a substantial gain in reservoir quality rock in both formations.

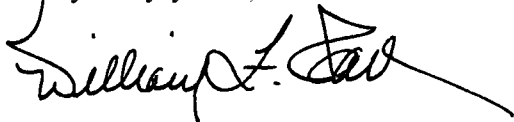
Attached hereto as Exhibit C is a plat as required by Rule 104.F (3) showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units.

Exhibit D lists parties affected by this application. A copy of this application, including a copy of the plat described above has been sent to these affected parties by certified mail-return receipt requested in accordance with Rule 1207 (A)(5) advising them that if they have an objection to this application it must be filed in writing within twenty days from the date this notice was sent.

Also enclosed is a proposed order approving this application.

Your attention to this matter is appreciated.

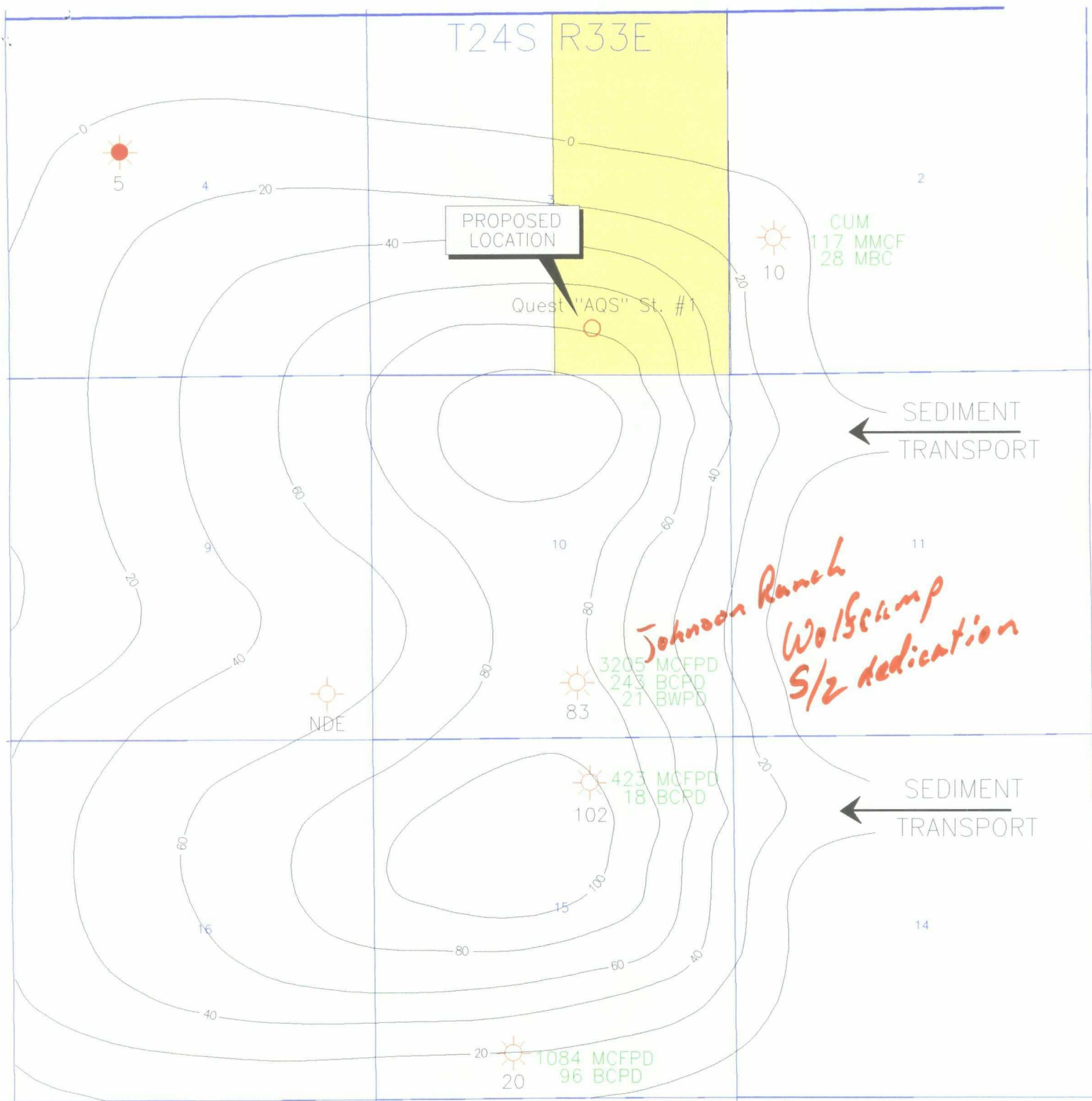
Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long, sweeping horizontal line extending to the right.

WILLIAM F. CARR
Attorney for Yates Petroleum Corporation

Enclosures

cc: Ms. Mecca Mauritsen
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88201

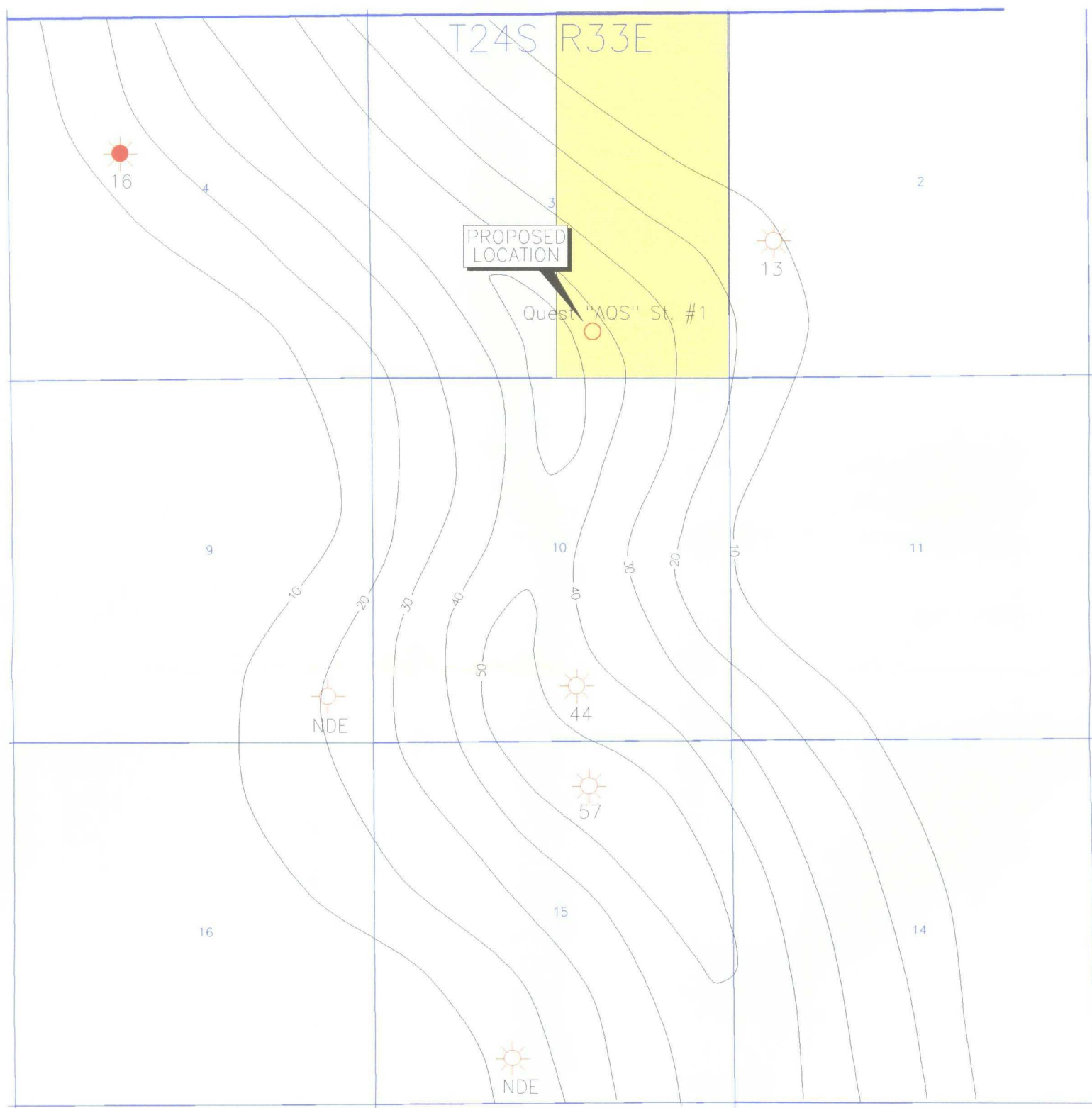


Wolfcamp production data is from Dwight's and P.I.

Yates Petroleum Corporation		
JOHNSON RANCH AREA WOLFCAMP LIMESTONE DEBRIS FLOW LIMESTONE ISOLITH		
GR ≤ 40 API UNITS		3/17/97
GEO: B. MAY	Scale 1:24000.	VM24S33E.GPF

Exhibit A

[illegible]



Yates Petroleum Corporation		
JOHNSON RANCH AREA MORROW FORMATION MORROW CLASTICS ISOLITH		
GR ° 50 API UNITS		3/26/97
GEO: B. MAY	Scale 1:24000.	VM24S33E.GPF

EXHIBIT D

AFFECTED PARTIES

Application of Yates Petroleum Corporation for
administrative approval of an unorthodox well location
Quest AQS State Well No. 1
660 feet from the South line and 1980 feet from the East line
Section 3, Township 24 South, Range 33 East, N.M.P.M.
Lea County, New Mexico

Enron Oil & Gas Company
4000 North Big Spring
Suite 500
Midland, Texas 79705

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

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TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 27, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Enron Oil & Gas Company
4000 North Big Spring
Suite 500
Midland, Texas 70705

Attn: Patrick J. Tower

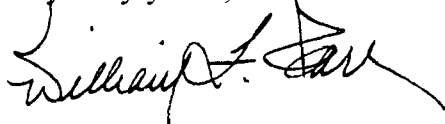
Re: *Application of Yates Petroleum Corporation., for administrative approval of an unorthodox well location for its Quest AQS State Well No. 1, 660 feet from the South line and 1980 feet from the East line of Section 3, Township 24 South, Range 33 East, N.M.P.M., Lea County, New Mexico.*

Dear Mr. Tower:

Enclosed is a copy of the above-referenced application which was filed with the Oil Conservation Division on this date by Yates Petroleum Corporation for administrative approval of an unorthodox well location for its proposed Quest AQS State Well No. 1, to be drilled 660 feet from the South line and 1980 feet from the East line of Section 3, Township 24 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,



WILLIAM F. CARR

enc.

cc: Ms. Mecca Mauritsen

P 087 492 282



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to: Attn: Patrick J. Tower	
Enron Oil & Gas Company	
Street and No. 4000 North Big Spring	
P.O., State and ZIP Code Suite 500 Midland, TX 70705	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date March 27, 1997	

PS Form 3800, June 1991

(DATE)

DRAFT ADMINISTRATIVE ORDER

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

Attention: Mecca Mauritsen

Administrative Order NSL-_____

Dear Ms. Mauritsen:

Reference is made to your application dated March 24, 1997 for an unorthodox well location for a wild cat well to be drilled to the Morrow formation for its proposed Quest AQS State Well No. 1. Said well to be drilled 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 3, Township 24 South, Range 33 East, NMPM, Lea County, New Mexico.

A 320-acre spacing and proration unit in the Wolfcamp and Morrow formations comprising the E/2 of said Section 3, is to be dedicated to said well.

By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox well location is hereby approved.

Sincerely,

William J. LeMay
Director

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

CMD :
.OG5SECT

ONGARD
INQUIRE LAND BY SECTION

04/09/97 14:29:44
OGOMES -EMFB
PAGE NO: 1

Sec : 03 Twp : 24S Rng : 33E Section Type : NORMAL

4 40.13 CS V04368 1 05/99 ENRON OIL & GAS C	3 40.10 CS V03944 01/97 YATES PETROLEUM C	2 40.08 CS V03944 01/97 YATES PETROLEUM C	1 40.05 CS V03944 01/97 YATES PETROLEUM C
E 40.00 CS V03944 01/97 YATES PETROLEUM C	F 40.00 CS V03944 01/97 YATES PETROLEUM C	G 40.00 CS V03944 01/97 YATES PETROLEUM C	H 40.00 CS V03944 01/97 YATES PETROLEUM C

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

04/09/97 14:29:49
OGOMES -EMFB
PAGE NO: 2

Sec : 03 Twp : 24S Rng : 33E Section Type : NORMAL

L 40.00 CS V04368 1 05/99 ENRON OIL & GAS C	K 40.00 CS V03944 01/97 YATES PETROLEUM C	J 40.00 CS V03944 01/97 YATES PETROLEUM C	I 40.00 CS V03944 01/97 YATES PETROLEUM C
M 40.00 CS V04368 1 05/99 ENRON OIL & GAS C	N 40.00 CS V04368 1 05/99 ENRON OIL & GAS C	O 40.00 CS V03944 01/97 YATES PETROLEUM C A	P 40.00 CS V03944 01/97 YATES PETROLEUM C

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12

County LEA Pool WEST DOUBLE X - WOLF CAMP GAS

TOWNSHIP 24 SOUTH Range 33 EAST NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

DESCRIPTION: $\frac{1}{2}$ Sec. 32 (R-6293, 3-1-80)

DELETE: $\frac{1}{2}$ Sec. 32 (R-6293-A) SHOULD BE $\frac{1}{2}$ Sec. 2 (R-6293-A, 3-1-80)

COUNTY Lea

POOL South Bell Lake - Morrow Gas

TOWNSHIP 24 South

RANGE 33 East

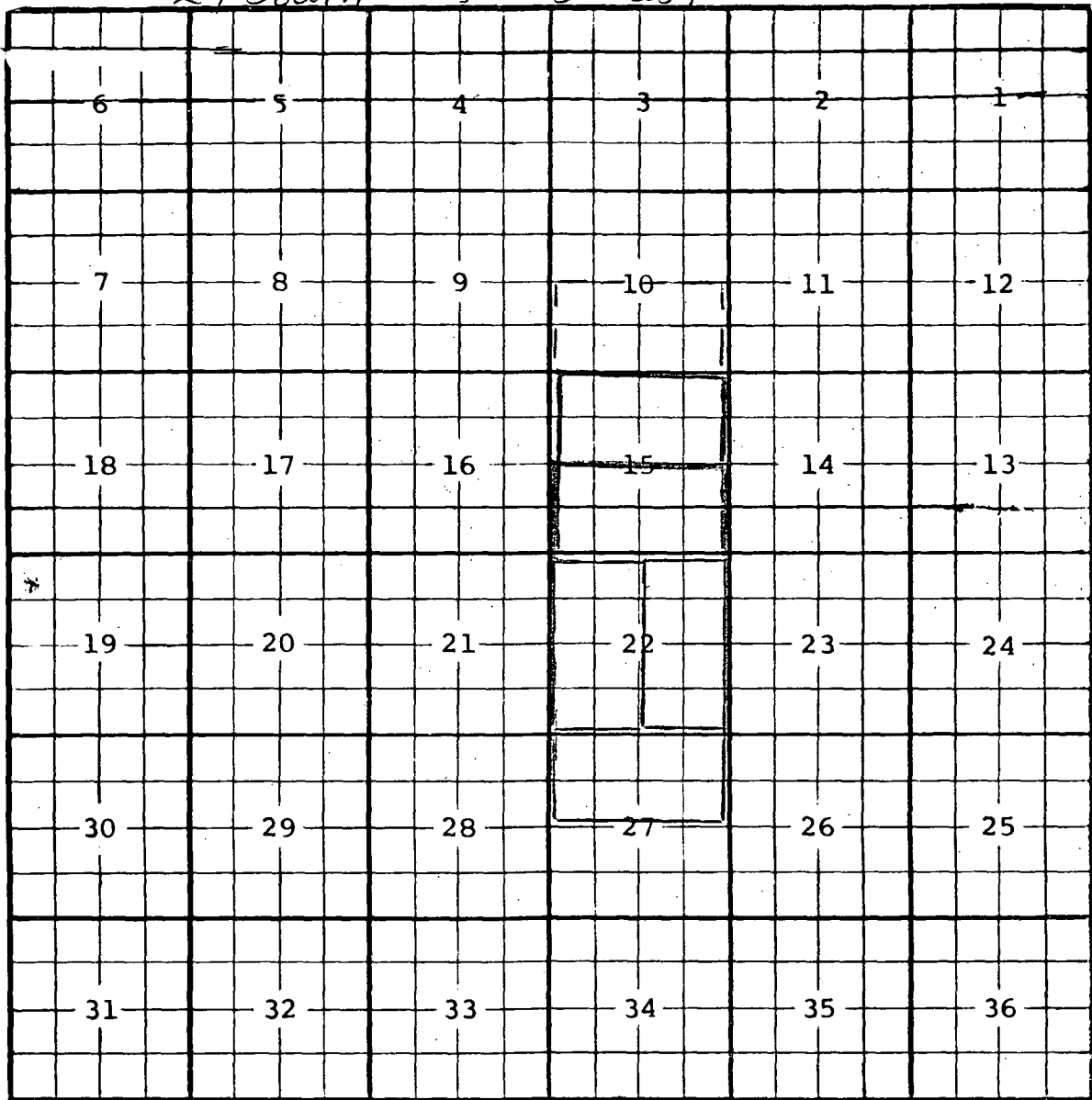
NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: NE $\frac{1}{4}$ Sec 1 (R-4821, 8-1-74) Ext: SE $\frac{1}{4}$ Sec 1,
N $\frac{1}{2}$ Sec. 12 (R-6274, 3-1-80) Ext: E $\frac{1}{2}$ sec 13 (R-6876, 1-22-82)

County Lea Pool Johnson Ranch-Wolfcamp Gas

TOWNSHIP 24 South Range 33 East NMPM



Description: $\frac{E}{2}$ Sec. 22 (R-8075, 11-8-85)

Correct Range from 32 to 33 (R-8125, 1-14-86)

Ext: $\frac{W}{2}$ Sec. 22 (R-8193, 3-21-86) Ext: $\frac{N}{2}$ Sec. 27 (R-8299, 9-4-86)

Ext: $\frac{S}{2}$ Sec. 15 (R-10641, 8-19-96) Ext: $\frac{N}{2}$ Sec. 15 (R-10776, 2-28-97)

CMD :
OG6C101

ONGARD
C101-APPLICATION FOR PERMIT TO DRILL

04/09/97 13:53:03
OGOMES -EMFB

OGRID Idn : 25575 API Well No: 30 25 33742 APD Status(A/C/P): A
Opr Name, Addr: YATES PETROLEUM CORPORATION Aprvl/Cncl Date : 12-24-1996
105 S 4TH ST
ARTESIA,NM 88210

Prop Idn: 20100 QUEST AQS STATE COM Well No: 1

	U/L	Sec	Township	Range	Lot Idn	North/South	East/West
	---	---	-----	-----	-----	-----	-----
Surface Locn : O	3	24S	33E			FTG 660 F S	FTG 1980 F E
OCD U/L : O		API County :	25				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : R
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 3592

State Lease No: Multiple Comp (Y/N) : S
Prpsd Depth : 15700 Prpsd Frmtn : MORROW

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12