



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

December 11, 1998

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Telefax No. (505) 748-4585

Attention: Morris Keith

Administrative Order NSL-4177(MC)

Dear Mr. Keith:

Reference is made to the following: (i) your initial application for Yates Petroleum Corporation ("Yates") to the New Mexico Oil Conservation Division (Division") for multiple completion filed on Division Form C-107 and dated November 24, 1998; (ii) the Division's response to this application by letter from Mr. Michael E. Stogner, Engineer in the Division's Santa Fe office, dated November 30, 1998; (iii) Yates' application for a well location exception filed by Mr. Robert Bullock on December 8, 1998; (iv) your supplemental technical data submitted on December 9, 1998 to support Division Form C-107; (v) your various telephone conversations with and voice mail messages left for Mr. Stogner; and, (vi) the records of the Division in Santa Fe: all concerning Yates' request for:

- (1) an unorthodox well location in both the Undesignated North Shoe Bar-Atoka Gas Pool and the Undesignated North Shoe Bar Strawn Pool for Yates' existing Runnels "ASP" Well No. 2 (API No. 30-025-34443), located 1650 feet from the South line and 2270 feet from the East line (Unit J) of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico; and,
- (2) an exception to Division Rule 112-A.C for authorization to dually complete this well in such a manner as to permit the production of oil from the Strawn interval through a string of 2-7/8 inch tubing and the production of gas through the 5-1/2 inch casing/tubing annulus.

The SE/4 of Section 11, being a standard 160-acre oil spacing and proration unit in the Undesignated North Shoe Bar-Strawn Pool, and the E/2 of Section 11, being a standard 320-acre gas spacing and proration unit in the Undesignated North Shoe Bar-Atoka Gas Pool, are to be dedicated to this well.

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The Division records indicate that Yates commenced drilling this well on July 28, 1998 and on September 16, 1998 total depth of 12,620 feet was reached. In October, 1998 the Atoka was successfully completed as a gas well and production commenced on October 12, 1998.

This application has been duly filed under the provisions of Division Rules 104.F and 112-A.C and D. Review of this application indicates that its approval is in the best interest of conservation and will not cause waste nor impair correlative rights.

By the authority granted me under the provisions of RULE 5 of the "*Special Rules and Regulations for the North Shoe Bar-Strawn Pool,*" as promulgated by Division Order No. R-4658, as amended, and Division Rule 104.F(2), the unorthodox location of Yates' Runnels "ASP" Well No. 2, as described above, in both the Undesignated North Shoe Bar-Strawn Pool and the Undesignated North Shoe Bar-Atoka Gas Pool, is hereby approved.

Furthermore, Yates is authorized to dually complete this well in the manner described above, provided however that: (i) the well is produced and operated in accordance with the provisions of Division Rule 112-A; and, (ii) a packer leakage test be preformed upon completion and annually thereafter.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
Mr. Robert Bullock, Yates Petroleum Corporation - Artesia
Mr. William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe