NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 29, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attention: Cy Cowan

Telefax No. (505) 748-4572

Administrative Order NSL-4635

Dear Mr. Cowan:

Reference is made to the following: **(i)** your application dated August 9, 2001; **(ii)** the New Mexico Oil Conservation Division's ("Division") initial response by letter dated August 13, 2001 from Mr. Michael E. Stogner, Engineer in Santa Fe; **(iii)** Mr. Robert Bullock's response for Yates Petroleum Corporation ("Yates") by letter dated August 20, 2001with additional data to support your incomplete filing; and **(iv)** the Division's records in Santa Fe and Artesia: all concerning Yates's request (*application reference No. pKRV0-122151632*) for an exception to the well location requirements [Rule 2 (b)] provided within the "*Special Rules and Regulations for the Buffalo Valley-Pennsylvanian Gas Pool,*" as promulgated by Division Order No. R-8170, as amended, for the existing Windmill "ATI" State Well No. 2 (**API No. 30-005-63245**), located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 16, Township 15 South, Range 28 East, NMPM, Chaves County, New Mexico, whereby the W/2 of Section 16 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Undesignated Buffalo Valley-Pennsylvanian Gas Pool.

It is our understanding that Yates filed its "*Application for Permit to Drill*" for the Windmill "ATI" State Well No. 2 with the Artesia district office of the Division on May 4, 2000; on July 31, 2000 Yates spudded this well; a total depth of 9,512 feet was reached on August 30, 2000; and on February 6, 2001 Yates commenced producing gas from this well.

This application has been duly filed under the provisions of: **(i)** Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; **(ii)** Division Rule 605; and **(iii)** the "*Special Rules and Regulations for the Buffalo Valley-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-8170, as amended.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location internal to the spacing unit only will be at a more favorable geologic position within the Morrow sand than a well drilled at a location considered to be standard within the W/2 of Section 16.

By authority granted me under the provisions of Division Rules 605.B (2) (b) and 104.F (2) and the applicable provisions of the special pool rules governing the Buffalo Valley-Pennsylvanian Gas Pool, the above-described unorthodox gas well location is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

IT SHALL BE NOTED HOWEVER THAT Yates, as a prudent operator, should recognize that a well location is unorthodox prior to its drilling and not wait a period of six months after producing from the affected interval or a period of 12 months after commencing drilling operations to seek the necessary regulatory exceptions. If, any future application by Yates for an unorthodox location is not filed in a more timely fashion, all such subsequent applications will be subject to the Division's hearing process until further notice.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

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