

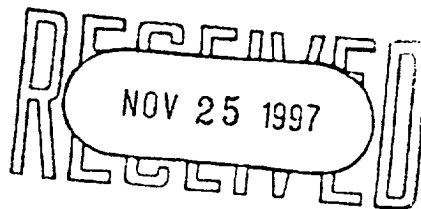


Cliff May is ready to enter this on
**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

November 19, 1997

Artesia: OCO
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Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Robert Bullock
Ken B.



Administrative Order NSL-3905

Dear Mr. Bullock:

Reference is made to your application dated October 24, 1997 for an unorthodox Morrow gas well location for the plugged and abandoned Mitchell Energy Corporation Indian Hills "36" State Well No. 1 (API No. 30-015-27728), to be renamed the Indian Hills "ARG" State Well No. 1, located 660 feet from the South and West lines (Unit M) of Section 36, Township 21 South, Range 24 East, Undesignated McKittrick Hills-Morrow Gas Pool, NMPM, Eddy County, New Mexico.

The Indian Hills "36" State Well No. 1 was originally drilled to a total depth of 8,000 feet in 1994 in order to test the Indian Basin-Upper Pennsylvanian Associated Pool whereby it tested dry and was plugged and abandoned. It is our understanding that Yates now intends to reenter said well and deepen it to the Morrow formation in order to test for gas within a proposed 320-acre gas spacing and proration unit comprising the W/2 of said Section 36.

The geologic interpretation submitted with this application indicates that this particular unorthodox Morrow gas well location is at a more favorable geologic position within the proposed dedicated acreage than a well at a location considered to be standard.

The 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").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

William J. LeMay
William J. LeMay
Director
WJL/MES/kv

cc: Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe