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e-mail Address hollandhart.com

HOLLAND&HART

William F. Carr wcarr@hollandhart.com

March 17, 2004

HAND-DELIVERED

Ms. Carol Leach, Acting Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources 1220 South Saint Francis Drive Santa Fe, New Mexico 87505

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Agnes "BEB" Com Well No. 1 located in Section 3, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Dear Ms. Leach:

Yates Petroleum Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) adopted on August 12, 1999, of an unorthodox well location for its Agnes "BEB" Com Well No. 1 to be drilled at an unorthodox gas well location 1200 feet from the North line and 1800 feet from the East line (Unit B) of Section 3, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. This well is located in the Atoka-Pennsylvanian Gas Pool that is governed by Special Rules and Regulations adopted by Order No. R-8170, dated March 28, 1986.

This location in the Atoka and Morrow formations is unorthodox because Rule 2(b) of the Special Rules and Regulations for the Atoka-Penn Gas Pool that provide for "Each well completed or re-completed in this pool to be located in the northwest quarter or southeast quarter of the section and no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line;...." A standard 320-acre spacing and proration unit comprised of the N/2 of Section 3 will be dedicated to the well.

The proposed unorthodox well location is located in the NE/4 of the Section and is 120 feet from an interior governmental quarter-quarter section line.



Administrative Application Unorthodox Well Location Agnes "BEB" Com Well No. 1 March 17, 2004 Page 2

The proposed unorthodox location is the required by geologic conditions. Yates Exhibit A is a Gross Sand Isopach Map of the Middle Morrow formation that shows the proposed location for the Agnes "BEB" Com Well No. 1 intersects a Morrow sand channel running across the northeast quarter of this section. As shown on Exhibit A, to intersect this channel a location in the NE/4 is required and a well at any standard location in this section could not access these reserves.

Attached hereto as Exhibit B is a plat that shows the subject area, the 320-acre spacing unit comprised of the N/2 of Section 3 and the proposed unorthodox location. Since this well encroaches only on interior quarter section lines and the mineral interests of all affected persons will be dedicated to the well, there are no affected persons to whom notice of this application is required by Division Rule 1207 (A)(2).

I enclose in hard copy and have provided by E-mail a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly your

William F. Carr Attorney for Yates Petroleum Corporation

Enclosures

cc: Robert Bullock John Humphrey Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210-2118 Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210-2118

Attention: William F. Carr

Administrative Order NSL-

Dear Mr. Carr:

Reference is made to your application dated March 17, 2004 for an unorthodox well location for a well to be drilled to the Atoka and Morrow formations Atoka-Pennsylvanian Gas Pool, for your proposed Agnes "BEB" Com Well No. 1. Said well to be drilled at an unorthodox gas well location in the Atoka and Morrow formations from a location 1200 feet from North line and 1800 feet from the East line (Unit G) of Section 3, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico.

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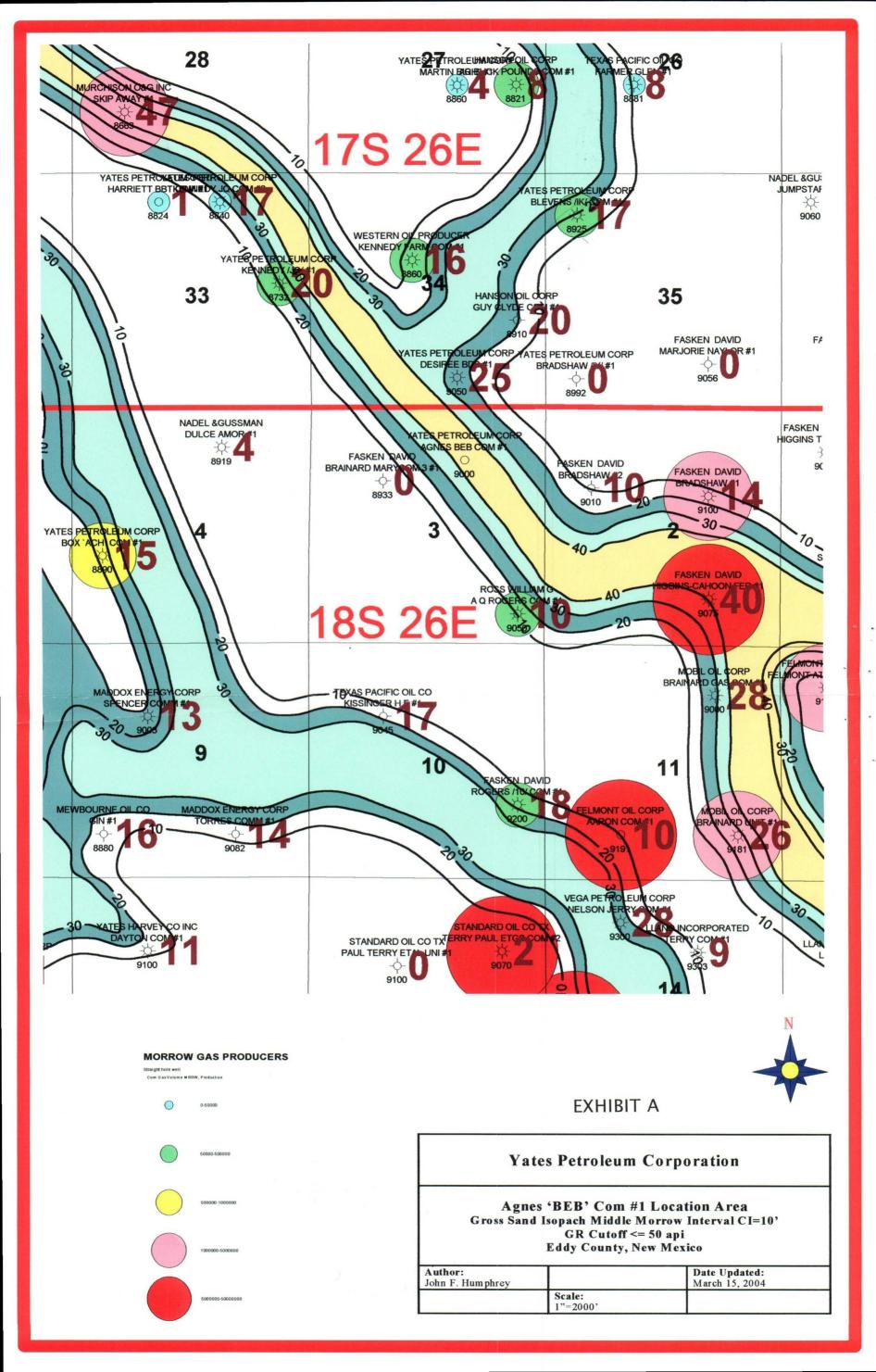
A 320-acre spacing and proration unit in the Atoka and Morrow formations comprising the N/2 of said Section 3 is to be dedicated to said well.

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,

Director

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



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