



YATES BUILDING - 207 SOUTH 4TH ST.
ARTESIA, NEW MEXICO - 88210

April 28, 1971

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OIL CONSERVATION COM.

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New Mexico Oil and Gas Commission
Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. George Hatch

RE: Federal "AY" No. 2, Unorthodox location
Penasco Draw, Eddy County, New Mexico

Dear Mr. Hatch:

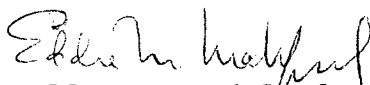
This letter confirms our telephone conversation of yesterday concerning the David Fasken No. 1-25 Yates Federal. This 9060' Mississippian test was non-commercial and was plugged back to 1700' and turned over to Yates Petroleum Corporation. This well is on the same 40 acres as Yates Petroleum's Federal "AY" No. 1. We propose to run a tapered oil string (7" and 5½" casing) and to complete in the Slaughter pay as Yates Petroleum Corporation Federal "AY" No. 2.

Subject well is a non-standard location with assigned NSL number 494. The Federal "AY" No. 2 is desirable for future waterflood operations. Since the formation is notoriously tight we cannot anticipate any drainage off the lease prior to Unitization for waterflood operations; and Yates Petroleum Corporation, as the working interest owner and operator of all offset production, waives objection to the non-standard location.

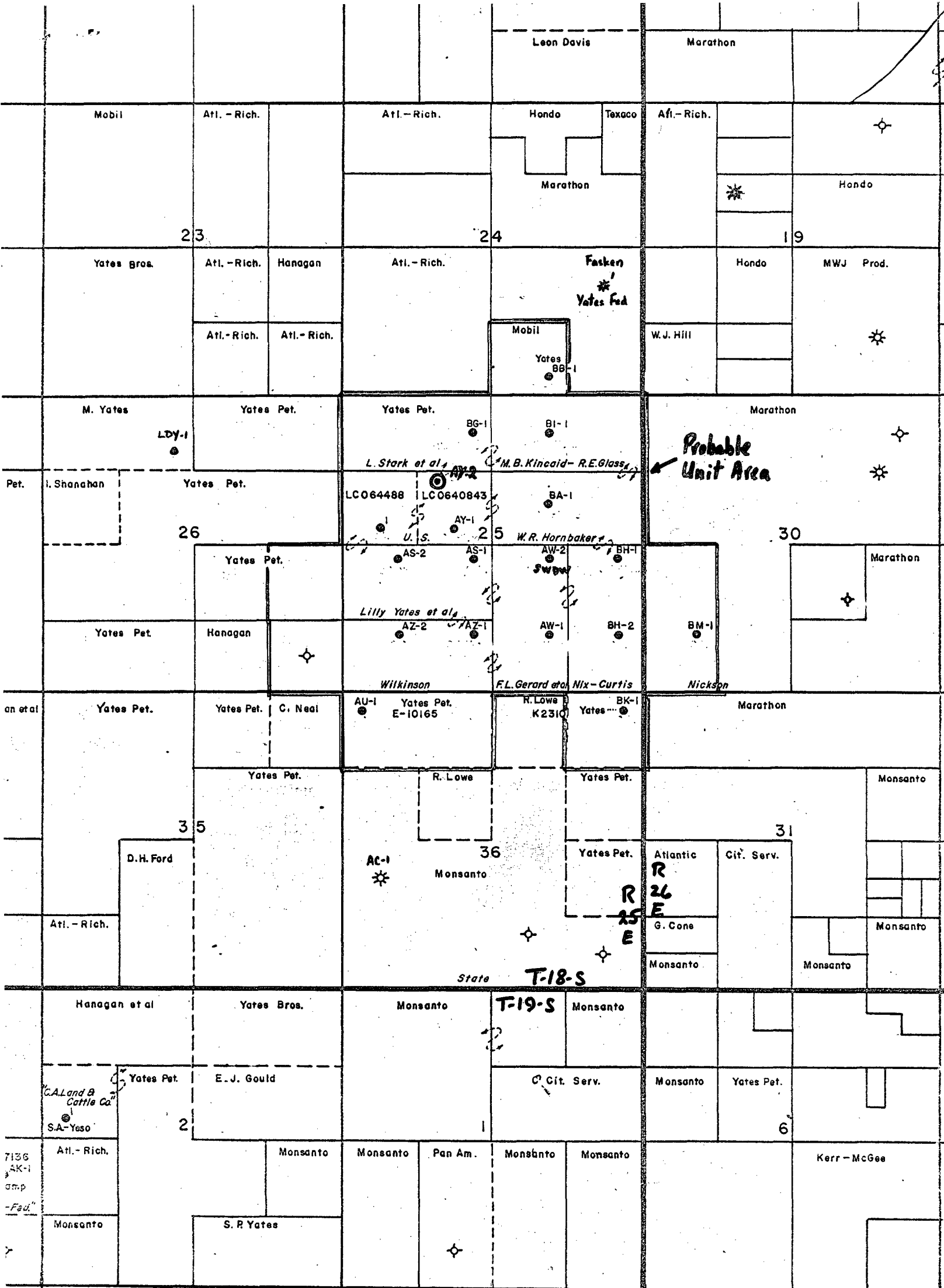
We respectfully request Administrative Approval of a non-standard location, 1490' FNL and 1650' FWL of Section 25-T18S-R25E, Penasco Draw (San Andres) Pool, Eddy County, New Mexico. A plat showing probable unit area of this non-standard location is attached.

Yours truly,

YATES PETROLEUM CORPORATION


Eddie M. Mahfood
Engineer

EMM:ct



Yates Petroleum Corporation
 Penasco Draw (San Andres) Pool
 Eddy County, New Mexico