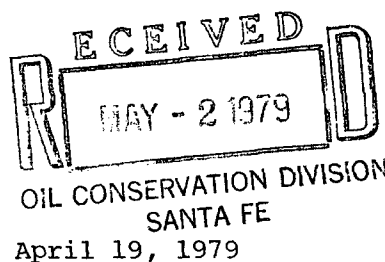




207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558



S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

*Rule 104F
Immediate*

Mr. Joe D. Ramey, Secretary-Director
NMOCD
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Non-Standard Location

Federal CX Com #3, K-7-18-25

*and simultaneous dedication
of W/2 with #2 L*

Eagle Creek Permo-Pennsylvanian Pool

Dear Mr. Ramey:

Until recently we had two Eagle Creek Permo-Penn completions in Sec. 7-18S-25E, the Federal CX Com #1 in the East half-section and Federal CX Com #2 in the West half-section. Then in an attempt to offset a good Morrow completion to the South (Gulf State KC Com #1, C-18-18S-25E), we drilled the Federal CX Com #3 with a South-half dedication, 1980' FSL 2310' FWL of Section 7-18S-25E.

We got a 3-foot Morrow Sand in the Federal CX Com #3 but with only a 34 mcfpd potential. We have temporarily abandoned the Morrow zone by setting a retrievable bridge plug above the Morrow perforations. We perforated and tested the Cisco zone (pfs 6562-6578) and well flowed 1330 mcfpd on 1/2" choke.

The West-half is communitized in the Permo Penn whereas the South-half was a Morrow Unit only. It seems appropriate that subject well be placed with the Federal CX #2 in the West-half dedication, but the 2310' FWL renders the location unorthodox. The No. 2 well incidentally is a low capacity well.

We ask for administrative approval of the Non-Standard location as provided for under NMOCD Rule 104F, re-completion of a well previously drilled at an orthodox location.

Yates Petroleum is the sole operator offsetting this gas well completion, lease ownership plat attached. We believe that correlative rights will be protected.

Thank you for your attention to this matter.

Yours very truly,

YATES PETROLEUM CORPORATION

c.c. USGS, Artesia

Eddie M. Mahfood
Eddie M. Mahfood
Engineer

EMM/ob

[illegible]