



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

January 12, 1998

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Chuck Moran

Administrative Order NSL-3928

Dear Mr. Moran:

Reference is made to your application dated December 30, 1997 to test both the Devonian and San Andres formations with the proposed Rowdy "ASF" State Well No. 1 to be drilled at an unorthodox oil well location 1480 feet from the South line and 500 feet from the East line (Unit I) of Section 3, Township 12 South, Range 27 East, NMPM, Chaves County, New Mexico. The NE/4 SE/4 of said Section 3 is to be dedicated to the well thereby forming a standard 40-acre oil spacing and proration unit for both intervals.

It is our understanding that the subject well is to be drilled to a total depth sufficient to test the deeper Devonian formation; moreover, the shallower San Andres formation is a secondary zone of interest. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the potentially productive interval of the Devonian than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit.

Further, all of said Section 3 is a single State lease (Lease No. V-04967) in which Yates Petroleum Corporation ("Yates") is the leasehold operator; therefore, there are no affected offsets to the subject 40-acre tract than Yates.

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 oil well location for both the Devonian and San Andres formations is hereby approved.

Sincerely,

Kathleen A. Garland
Director

KAG/MES/kv

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