



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

October 27, 1998

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Administrative Order NSL-4158

Dear Mr. Carr:

Reference is made to your application on behalf of the operator, Yates Petroleum Corporation ("Yates"), dated October 7, 1998 for an unorthodox gas well location in the: (i) Undesignated Cemetery-Wolfcamp Gas Pool; (ii) Undesignated Cemetery-Strawn Gas Pool; (iii) Atoka formation; and, (iv) Undesignated Cemetery-Morrow Gas Pool, for their John "AGU" Well No. 2 (API No. 30-015-26468), located 660 feet from the North and East lines (Unit A) of Section 14, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.

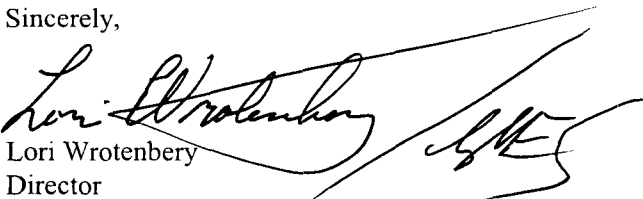
This well was originally drilled to a total depth of 8,221 feet in 1990 and completed in the South Dagger Draw-Upper Pennsylvanian Pool at a standard oil well location within a standard 320-acre oil spacing and proration unit comprising the N/2 of Section 14.

It is our understanding that the current South Dagger Draw-Upper Pennsylvanian Pool oil production from this well has reached its economic limit and that Yates now intends to abandon this interval and reenter the well and deepen it to the base of the Morrow formation in order to test the deeper Strawn, Atoka, and Morrow formations for gas. It is further understood that the shallower Wolfcamp gas bearing interval will also be tested at this time. The N/2 of Section 14 is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit for all four intervals.

The application has been duly filed under the provisions of Division General Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location for Yates' John "AGU" Well No. 2 within the Undesignated Cemetery-Wolfcamp Gas Pool, Undesignated Cemetery-Strawn Gas Pool, Atoka formation, and Undesignated Cemetery-Morrow Gas Pool is hereby approved.

Sincerely,


Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia