



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 29, 1999

Yates Petroleum Corporation
Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Telefax No. (505) 983-6043

Attention: William F. Carr

AMENDED Administrative Order NSL-4295 (BHL)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Yates Petroleum Corporation ("Yates"), dated June 29, 1999; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"), including the files in Case No. 12197 and Administrative Order NSL-4295; (iii) your telephone conversation with Mr. Michael E. Stogner, Division Engineer/Chief Hearing Officer in Santa Fe, on Monday, June 28, 1999, and (iv) your meeting on Tuesday, June 29, 1999 in Santa Fe with Mr. Stogner: all concerning Yates' request to amend Division Administrative Order NSL-4295, dated June 1, 1999.

Division Administrative Order NSL-4295, authorized Yates to drill its Concho "ACT" State Com. Well No. 1 (API No. 30-015-30659), at an unorthodox gas well location 1650 feet from the South line and 660 feet from the East line (Unit H) of Section 8, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, in order to test the Morrow formation within a standard 320-acre lay-down gas spacing and proration unit for the Crow Flats-Morrow Gas Pool comprising the N/2 of Section 8.

It is our understanding that Yates has drilled its Concho "ACT" State Com. Well No. 1 to its intended total depth and found the Morrow formation to be dry. In order to further explore for gas reserves within the Morrow formation underlying this unit that is commercially viable, Yates is seeking approval to kickoff of the vertical portion of this wellbore in a southerly direction and directionally drill back into the Morrow formation at a targeted unorthodox bottomhole location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 8.

The subject application has been duly filed under the provisions of Division Rule 104.F and 111.C(2).

By the authority granted me under the provisions of Division Rule 104.F(2), Yates is hereby authorized to directionally drill its Concho "ACT" State Com. Well No. 1 to an unorthodox subsurface location within the Morrow formation that is no closer than 660 feet to the East line of Section 8 nor closer than 660 feet to the southern boundary of this unit.

Yates Petroleum Corporation
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June 29, 1999

Further: (i) Yates shall comply with all provisions of Division Rule 111 applicable in this matter; and (ii) all provisions of Division Administrative Order NSL- 4295 not in conflict with this order shall remain in full force and affect until further notice.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Artesia [Telefax No. (505) 748-9720]
New Mexico State Land Office – Santa Fe
James Bruce, Legal Counsel for Chi Energy, Inc. – Santa Fe
Richard E. Foppiano, Senior Advisor of Regulatory Affairs – Houston, Texas
Robert Bullock, Yates Petroleum Corporation – Artesia [Telefax No. (505) 748-4572]
File: Case 12197