



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 14, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attention: Robert Bullock

Telefax No. (505) 748-4572

Administrative Order NSL-4642

Dear Mr. Bullock:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division's ("Division") on August 21, 2001; (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated August 30, 2001 requesting further explanation of a certain statement contained within this application; (iii) your telephone conversation with Mr. Stogner on Thursday, September 13, 2001; (iv) your telefaxed response of September 13, 2001; and (v) the Division's records in Santa Fe and Artesia: all concerning Yates's request (*application reference No. pKRV0-123456082*) for an exception to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for the existing Mule Deer "ATU" Federal Com. Well No. 2 (**API No. 30-015-31223**), located 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 11, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico, whereby the E/2 of Section 11 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Undesignated Box Canyon-Strawn Gas Pool (**72890**).

It is our understanding that Yates filed its "*Application for Permit to Drill (APD)*" for the Mule Deer "ATU" Federal Com. Well No. 2 with the U. S. Bureau of Land Management in May, 2000; the Division's district office in Artesia received its copy of the APD on June 30, 2000; on August 14, 2000 Yates spudded this well; a total depth of 8,450 feet was reported; and the rig was released on September 10, 2000.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

It is the Division's understanding that Yates is claiming that this unorthodox location is based primarily on geological perimeters.

By authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox gas well location is hereby approved.

IT SHALL BE NOTED HOWEVER THAT Yates, as a prudent operator, must recognize that a well location is unorthodox prior to its drilling and not wait a period of 12 months after commencing drilling operations to seek the necessary regulatory exceptions. If, any future application by Yates for an unorthodox location is not filed in a more timely fashion, all such subsequent applications will be subject to the Division's hearing process until further notice.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
Randy Patterson, Yates Petroleum Corporation - Artesia