



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

April 5, 2002

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

Telefax No. (505) 748-4572

*Administrative Order NSL-4716*

Dear Mr. Cowan:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division's ("Division") on March 12, 2002; and (ii) the Division's records in Santa Fe and Artesia: all concerning Yates's request (*application reference No. pKRV0-207456719*) 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, to be applicable to both the Morrow and Canyon formations for its existing Haldeman "EN" Com. Well No. 2 (**API No. 30-015-30910**), located 1980 feet from the North line and 2310 feet from the East line (Unit G) of Section 31, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico. Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 31 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for both the Eagle Creek Atoka-Morrow Gas Pool (**76240**) and the East Eagle Creek-Permo Pennsylvanian Gas Pool (**76280**).

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

It is our understanding that Yates initially filed the "*Application for Permit to Drill (APD)*" on the Haldeman "EN" Com. Well No. 2 to be drilled at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 31 with the Division's Artesia district office in January, 2000; in April, 2000 Yates proposed a location change; on June 27, 2000 Yates spudded this well; a total depth of 8,800 feet was reported; and the rig was released on July 27, 2000. It is also the Division's understanding that Yates moved this location from its original staked site at a standard gas well location to the west 330 feet for both topographic and geological reasons.

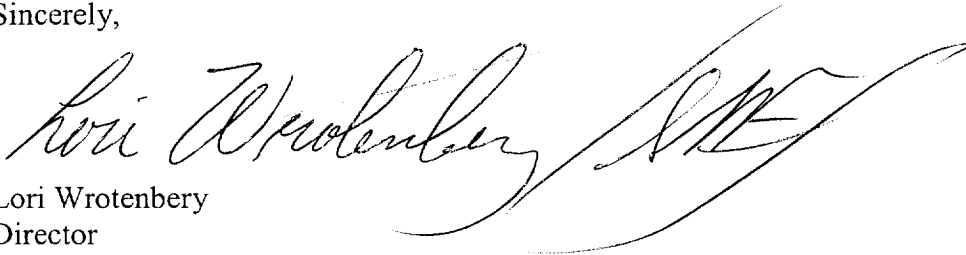
It is further understood that the Morrow interval produced from August, 2000 to December, 2001 and that Yates recently recompleted this well up-hole into the Canyon formation.

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 two years 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,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or monogram.

Lori Wrotenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /  
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe  
Randy Patterson, Yates Petroleum Corporation - Artesia