



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

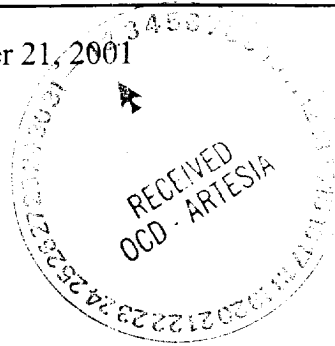
Cabinet Secretary

December 21, 2001

Lori Wrotenberg

Director

Oil Conservation Division



Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: Cy Cowan

Re: Administrative application for an exception to Division Rule 104.C (2) (a) for the Undesignated East Eagle Creek Atoka-Morrow Gas Pool, within the N/2 of Section 27, Township 17 South, Range 25 East, NMPM, Eddy County, New Mexico.

Dear Mr. Cowan:

This letter acknowledges the receipt of your administrative application dated December 4, 2001 of an unorthodox Atoka/Morrow gas well location for Yates Petroleum Corporation's existing Federal "LDY" Deep Com. Well No. 10 (API No. 30-015-30974), located 2100 feet from the North line and 1980 feet from the West line (Unit F) of Section 27, Township 17 South, Range 25 East, NMPM, Eddy County, New Mexico. The Division received your application on December 6, 2001, and assigned it NMOCD application reference No. *pKRV0-134436145*. Please refer to this number in future correspondence with the Division.

Our preliminary review indicates that the information provided in the application is not sufficient to process an administrative order at this time. It appears that your application may be incomplete with respect to notice. As you are aware Division Rule 1207.A (2) (a) provides that the affected "operator" be notified of an unorthodox location and that in the absence of an operator then any lessee within the corresponding unit be notified. My records indicate that within the offsetting 320-acre unit comprising the S/2 of Section 27, Yates Petroleum Corporation operates the Morley "EW" Com. Well No. 1 (API No. 30-015-21716), located 660 feet from the South and East lines (Unit P) of Section 27. This well is completed in and producing from the Eagle Creek-Permo Pennsylvanian Gas Pool; therefore, there is no offsetting "Atoka/Morrow" operator in the S/2 of Section 27. With the absence of an "Atoka/Morrow" operator then you are required to identify and notify all such lessees. Your application does not adequately address this issue.

In order for me to continue with processing your request, please identify all of the working interests within the S/2 of Section 27 and provide adequate notice, or offer an explanation with support data why notice is not required in this instance.

Since the submitted information is insufficient to review, the application was ruled as incomplete on December 21, 2001. Please submit the above stated information by Monday, December 31, 2001.

Yates Petroleum Corporation

December 21, 2001

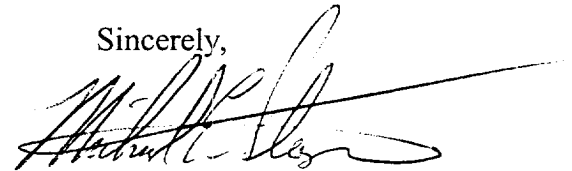
Page 2

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

It should be noted that the orthodox window marked in blue on exhibit No. 4 of your application is incorrect, please refer to Division Rule 104.C (2). Wells are to be no closer than 660 feet to a quarter section.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

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