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August 31, 1989

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Attn: William J. LeMay, Director

Re: Application for Administrative Approval to Directionally  
Drill the Yates Petroleum Corporation Zia "ZS" Federal  
Com Well No. 1, Burton Flat East Strawn Pool, Morrow  
Pool, Eddy County, New Mexico

Dear Mr. LeMay:

Pursuant to the provisions of Oil Conservation Division Rule 111(d), Yates Petroleum Corporation, operator of the W/2 of Section 14, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, hereby applies for administrative approval to directionally drill its Yates Petroleum Corporation Zia "ZS" Federal Com. Well No. 1 from a surface location 563 feet from the South line and 2125 feet from the East line of Section 11, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico to a proposed bottomhole location in the Morrow formation 2480 feet from the North line and 1980 feet from the East line of Section 14, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

This application qualifies for administrative approval since the proposed production zone is at a standard location in both the Strawn and Morrow formations in Section 14, but no standard surface location is available because this acreage is under Federal Oil & Gas Lease NM-81929 which contains a no surface occupancy provision.

Required notice of this application has been served by certified mail to each operator of a spacing or proration unit offsetting the unit for which this directional drilling exception is requested. Each party shown on the attached service list has been furnished a copy of this letter, complete with all attachments.

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