



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

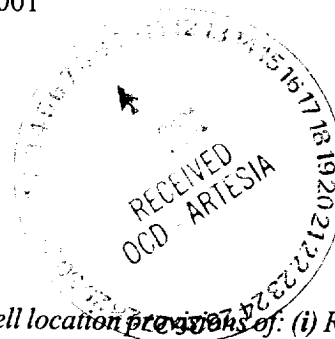
Governor
Jennifer A. Salisbury
Cabinet Secretary

October 3, 2001

Lori Wrotenbery
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 the well location provisions of: (i) Rule 4 of the "Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, and Ordering Paragraph No. (4) of Division Order No. R-9922-D; and (ii) Division Rule 104.C (2) (a) for the Undesignated South Indian Basin-Morrow Gas Pool, within the W/2 of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Cowan:

This letter acknowledges the receipt of your administrative application dated August 16, 2001 of an unorthodox Canyon (Upper Penn) and Morrow gas well location for Yates Petroleum Corporation's existing Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the North line and 2159 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico. The Division received your application on August 16, 2001, and assigned it NMOCD application reference No. *pKRV0-123339590*. 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. The following information is necessary:

- (1) An amended NMOCD Form C-102 for this well showing the correct and proper acreage dedication for this well [W/2, 320 acres, being a standard 320-acre gas spacing unit for the Morrow formation and the existing 320-acre GPU in the Indian Basin-Upper Pennsylvanian Gas Pool that is currently dedicated to Yates's Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12 (see Ordering Paragraph No. (3) of Division Order No. R-9922-D)]; and
- (2) Proof of proper notification pursuant to Division Rule 1207.A (2) (a) 3, where the operator of the proposed unorthodox well is also the operator of the adjoining unit and ownership is not common.
- (3) A detailed report of the field trip that resulted in the BLM requiring Yates to crowd another unit, Yates's response at that time, and any written material from the BLM related to this matter;
- (4) A copy of the NMOCD Form C-102 on Yates's Smith Federal Gas Com. Well No. 2 rededicating this acreage from a 640-acre unit to its approved 320-acre, W/2 of Section 12, unit approved by Division Order No. R-9922-D.

Since the submitted information is insufficient to review, the application was ruled incomplete on October 3, 2001. Please submit the above stated information by Wednesday, October 10, 2001.

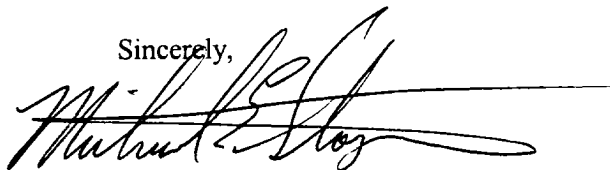
Yates Petroleum Corporation

October 3, 2001

Page 2

The Division cannot precede any further with your application until this 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; however, should you need an additional week to gather this data, contact me in Santa Fe at (505) 476-3465 to arrange this extension. Thank you for your cooperation

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 - Santa Fe

Yates Petroleum Corporation
October 3, 2001
Page 2

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Michael E. Stogner
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William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
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