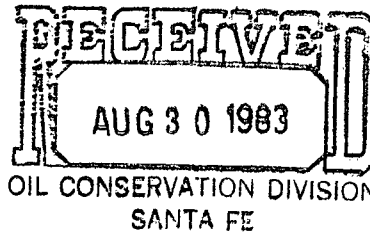




207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1331



S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

MR. JOE D. RAMEY, SECRETARY-DIRECTOR
NEW MEXICO OIL CONSERVATION DIVISION
P. O. Box 2088
SANTA FE, NEW MEXICO 87501

AUGUST 26, 1983

*NS - 1741
Rule 104F
9-19-83*

RE: IBIS "XU" STATE #1 N/2
SEC. 23-T9S-R26E
660' FNL & 990' FEL
CHAVES COUNTY, NM
(LETTER REVISED: 8/26/83)
*W. Deart
Wolfcamp - Montoya Gas*

DEAR SIR,

YATES PETROLEUM CORPORATION WOULD APPRECIATE AN ADMINISTRATIVE APPROVAL FOR A PROPOSED UNORTHODOX MONTOYA GAS WELL LOCATION AS PROVIDED FOR UNDER NMOCD RULE 104F.

OUR REASON FOR REQUESTING THE NON-STANDARD LOCATION IS GEOLOGICAL. GEOLOGICAL DATA IS BEING SENT UNDER SEPARATE COVER.

ENCLOSED PLEASE FIND A COPY OF THE LEASE MAP SHOWING OFFSETTING LEASE OPERATORS. OFFSETTING LEASE OPERATORS HAVE BEEN NOTIFIED OF OUR INTENTIONS BY CERTIFIED MAIL, VIA A XEROX COPY OF THIS LETTER.

FORMATIONS WE EXPECT TO DRILL THROUGH ARE: SAN ANDRES, GLORIETA, FULLERTON, ARO, WOLFCAMP, PENNSYLVANNIAN, MISSISSIPPIAN, MONTOYA ELLENBURGER, PRE-CAMBRIAN.

THANK YOU FOR YOUR HELP IN THIS MATTER.

SINCERELY,

Ken Beardemphl
KEN BEARDEMPHL
REGULATORY AGENT
YATES PETROLEUM CORPORATION

KB/DW

ENCLOSURES

XC: ELK OIL CO., AIKMAN PETROLEUM, INC., FRED POOL

[illegible]

P 267 050 966

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO		CITIZENSHIP	
STREET AND NO.		CITIZENSHIP	
P.O. STATE AND ZIP CODE		CITIZENSHIP	
POSTAGE		CITIZENSHIP	
CERTIFIED FEE		CITIZENSHIP	
SPECIAL DELIVERY		CITIZENSHIP	
RESTRICTED DELIVERY		CITIZENSHIP	
SHOW TO WHOM AND DATE DELIVERED		CITIZENSHIP	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		CITIZENSHIP	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		CITIZENSHIP	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		CITIZENSHIP	
TOTAL POSTAGE AND FEES		CITIZENSHIP	
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P 267 050 967

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
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SENT TO		CITIZENSHIP	
STREET AND NO.		CITIZENSHIP	
P.O. STATE AND ZIP CODE		CITIZENSHIP	
POSTAGE		CITIZENSHIP	
CERTIFIED FEE		CITIZENSHIP	
SPECIAL DELIVERY		CITIZENSHIP	
RESTRICTED DELIVERY		CITIZENSHIP	
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SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		CITIZENSHIP	
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TOTAL POSTAGE AND FEES		CITIZENSHIP	
POSTMARK OR DATE		CITIZENSHIP	

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P 267 050 974

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(See Reverse)

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STREET AND NO.		CITIZENSHIP	
P.O. STATE AND ZIP CODE		CITIZENSHIP	
POSTAGE		CITIZENSHIP	
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SPECIAL DELIVERY		CITIZENSHIP	
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SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		CITIZENSHIP	
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GEOLOGIC CONDITIONS
FOR
UNORTHODOX LOCATION
OF THE
YATES PETROLEUM CORPORATION IBIS "XU" STATE #1
660' FNL & 990' FEL Section 23-T9S-R26E

Yates Petroleum Corporation respectfully requests administrative approval for the unorthodox location of its proposed Ibis "XU" State #1 to be drilled 660 feet from the North line and 990 feet from the East line of Section 23, Township 9 South, Range 26 East, Chaves County, New Mexico. The North half of Section 23 would be dedicated to the well.

The necessity for this unorthodox location is based upon geologic conditions.

Exhibit #1 is a land plat showing the proposed location and its relationship to the surrounding acreage situation. Yellow denotes acreage in which Yates has full or partial operating rights. The proration unit is outlined in red.

Exhibit #2 is a map showing the subsurface structure on top of the Montoya formation. The contour interval is 50 feet. The large well spots are the Montoya penetrations. Well spots colored in red indicate Montoya producers. The dashed line and the dashed-dot line denote the Mississippian formation pinch out and the Montoya formation pinch out, respectfully.

The structure map shows that there is a small anticline with more than 50 feet of closure below parts of sections 13, 23, and 24 of T9S, R26E and below section 19 of T9S, R27E.

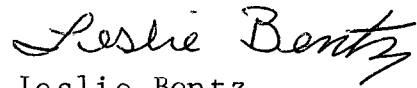
The better Montoya producers indicate that porosity and permeability increases are related to structure as the Elk Oil Aikman State #1, the Pool Eastland State #2 and the Elk Oil Meredith State #1 are above -2200 subsea datum on top of the Montoya formation. Wells occurring below this level are either poor producers in the Montoya or are non-productive. This is indicated by the Yates Whitworth State #1, the HEYCO Seymour State #1, and the Pool Eastland State #1. Porosity and permeability also becomes inadequate for production to the West as neither the Yates Smith "JR" State #1 nor the Dallas Ranch Marathon #1 are productive in the Montoya.

Exhibit #3, crossection A-A', shows the pertinent well tops and intervals picked by correlation. The termination of the Mississippian, Montoya, and Ellenburger formations on top of the structure is indicated in the Elk Oil Runyan State #2.

In summary, the proposed unorthodox location is the best allowable location in the North half of Section 23 which would enable the borehole to encounter the structure at its highest point possible and still penetrate a full section in the lower Paleozoics. It is anticipated that such structurally high penetration of the Montoya formation would enhance earlier and greater recovery of gas reserves. The well will be drilled through to the Pre-Cambrian to ensure that the complete section is tested.

The above discussion of geologic conditions and Exhibits #2 and

#3 were prepared by Leslie Bentz and Exhibit #1 was prepared under her direction. Leslie Bentz is employed by Yates Petroleum Corporation as a geologist in Artesia, New Mexico.

A handwritten signature in cursive script that reads "Leslie Bentz". The signature is fluid and stylized, with the first and last letters of each word being capitalized and prominent.

Leslie Bentz
Geologist
YATES PETROLEUM CORPORATION

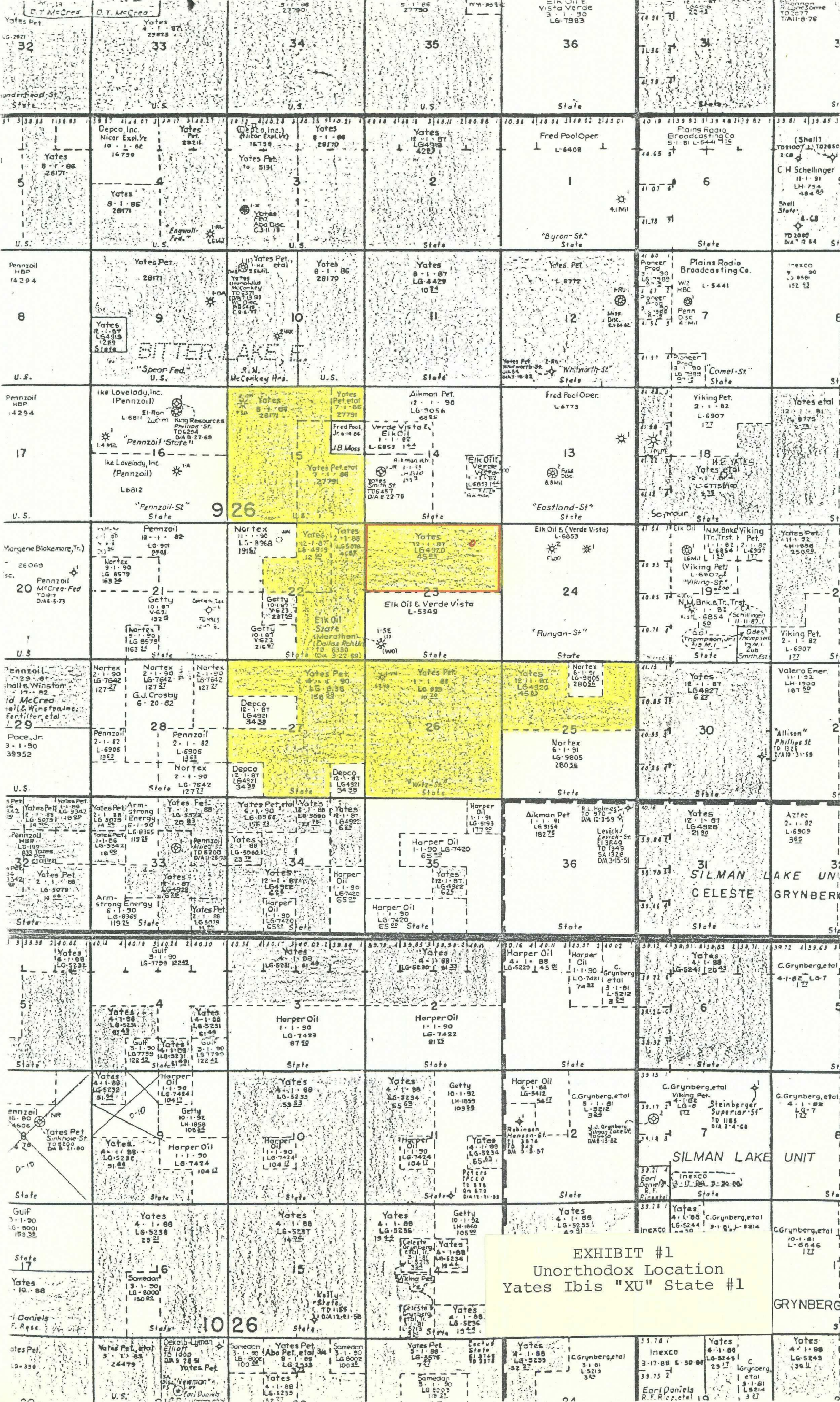
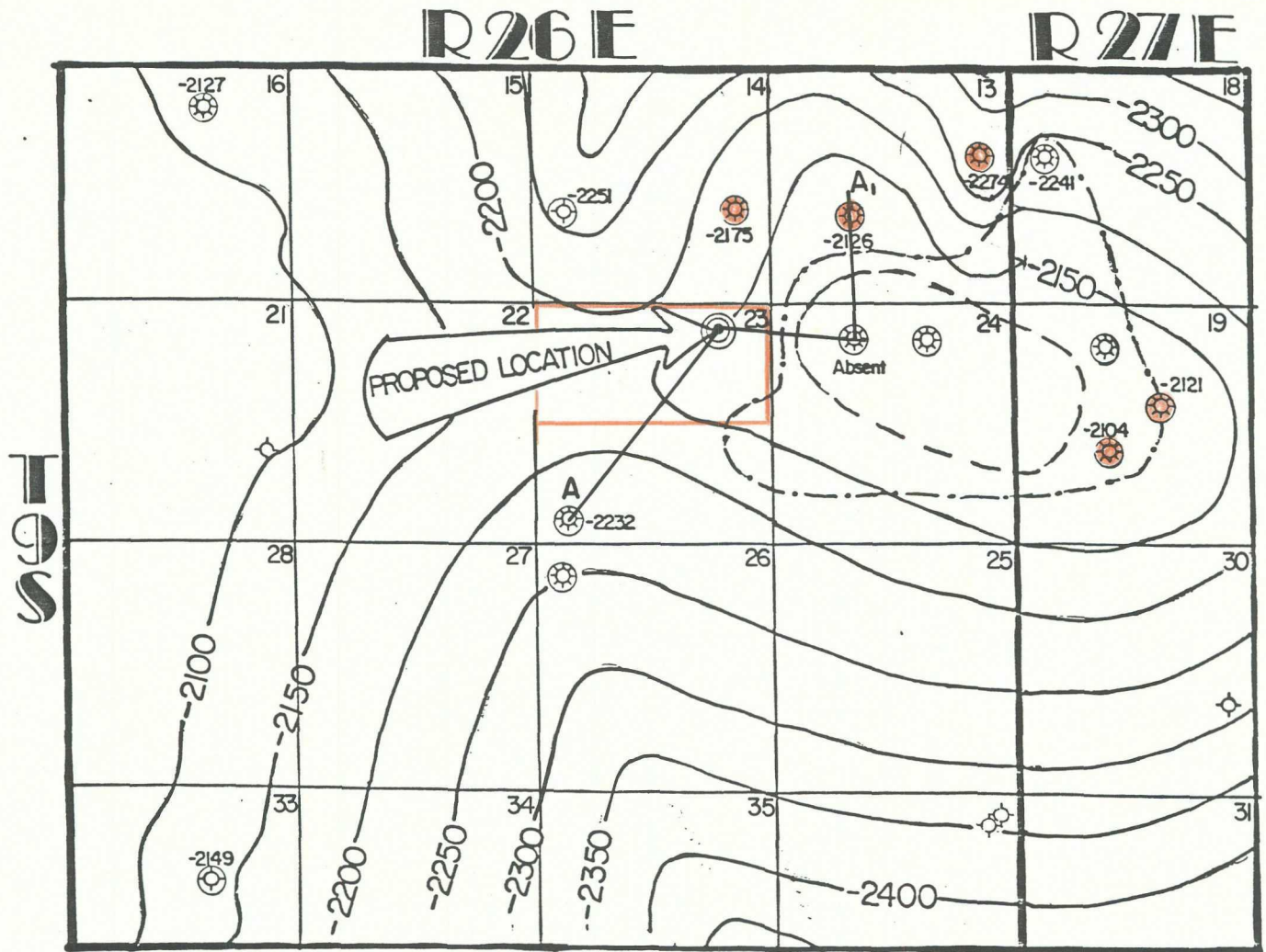
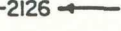
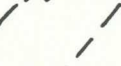


EXHIBIT #1
Unorthodox Location
Yates Ibis "XU" State #1

GRYNBERG



LEGEND

-  Montoya Penetrations
-  Subsea Datum on top of Montoya Formation
-  Montoya Producers
-  Producing from Horizons other than Montoya
-  Structural Contours on top of Montoya Formation
C.I. = 50 feet
-  Denotes Pinchout of Montoya Formation
-  Denotes Pinchout of Mississippian Formation