



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

June 1, 1999

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Robert Bullock

Administrative Order NSL-4295

Dear Mr. Bullock:

Reference is made to the following: (i) your application dated April 15, 1999; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division") including the file in Case No. 12197; and (iii) a meeting on Friday, May 28, 1999 in Santa Fe between Mr. Michael E. Stogner, Division Engineer, and Mr. William F. Carr, Legal Counsel for Yates Petroleum Corporation ("Yates"): all concerning Yates' request to drill its proposed Concho "ACT" State Com. Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the South line and 660 feet from the East line (Unit H) of Section 8, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 8, being a standard 320-acre lay-down gas spacing and proration unit for the Crow Flats-Morrow Gas Pool, is to be dedicated to this well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the NE/4 of Section 8.

The application has been duly filed under the provisions of Division Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
James Bruce, Legal Counsel for Chi Energy, Inc. - Santa Fe
Richard E. Foppiano, Senior Advisor of Regulatory Affairs - Houston, Texas
File: Case No. 12197