



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

January 7, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attention: Cy Cowan

Telefax No. (505) 748-4572

Administrative Order NSL-4684

Dear Mr. Cowan:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division's ("Division") on December 6, 2001; (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated December 21, 2001 with questions and concerns regarding notification; (iii) your telefaxed response of January 4, 2002; and (iv) the Division's records in Santa Fe and Artesia: all concerning Yates's request (*application reference No. pKRV0-134436145*) for an exception to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for the 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, whereby the N/2 of Section 27 is to be dedicated to this well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Undesignated East Eagle Creek Atoka-Morrow Gas Pool (**76240**).

It is our understanding that Yates filed its "*Application for Permit to Drill (APD)*" for the Federal "LDY" Deep Com. Well No. 10 with the U. S. Bureau of Land Management in January, 2000; the Division's district office in Artesia received its copy of the APD on February 16, 2000; on March 28, 2000 Yates spudded this well.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

It is the Division's understanding that Yates moved this location from its original staked site at a standard gas well location 1980 feet from the North and West lines of Section 27 to the south 120 feet in order to avoid surface obstructions.

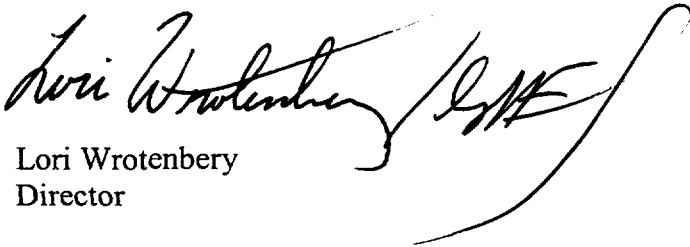
By authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox gas well location is hereby approved.

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Yates, as a prudent operator, should recognize that a well location is unorthodox prior to its drilling and not wait a period of 20 months after commencing drilling operations to seek the necessary regulatory exceptions. Similar requests may be set to hearing.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a large, sweeping flourish that extends to the right.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
Randy Patterson, Yates Petroleum Corporation - Artesia