



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

May 10, 1999

12199

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Robert Bullock

Re: Application dated April 15, 1999 for the Yates Petroleum Corporation to drill its proposed Concho "ACT" State Com. Well No. 1 at an unorthodox gas well location to test the Undesignated Crow Flats-Morrow Gas Pool 1650' FSL & 660' FEL (H) of Section 8, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

Dear Mr. Bullock:

On May 3, 1999 the Division received an objection from Chi Energy, Inc. to the subject application, see copy of a letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for June 10, 1999. Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

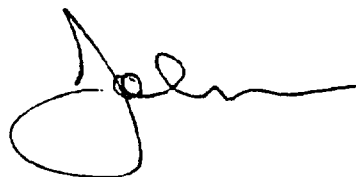
Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
Chi Energy, Inc. (Attention: John W. Qualls) – Midland, Texas
William F. Carr, Legal Counsel for Yates Petroleum Corporation – Santa Fe
Kathy Valdes, NMOCD – Santa Fe

*Chi Energy, Inc.**P. O. Box 1799
Midland, TX 79702*FAX TRANSMISSIONDATE SENT: 5-2-99 TIME SENT: 1:45 PMTO: NAME: Michael F. Stoguer
LOCATION: OCU- Santa Fe New Mexico
TELEPHONE/FAX NO.: 505-827-8177FROM: NAME: John Qualls
LOCATION: Midland Texas
TELEPHONE/FAX NO.: 915-685-5001/915-687-2662NUMBER OF PAGES: 1 + COVERMEMO:

Mr. Stoguer:

The hard copy is being mailed
by overnight mail today. Thanks

CHI ENERGY, INC.

P.O. BOX 1799

MIDLAND, TEXAS 79702

May 2, 1999

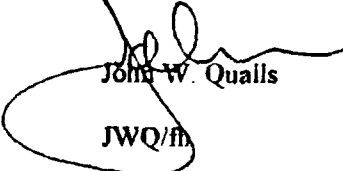
Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Yates Petroleum Corporation
Unorthodox Morrow Gas Well Location
Concho ACT State Com. #1
Township 17 South, Range 27 East, N.M.P.M.
Section 8: 1650' FNL & 660' FEL
Eddy County, New Mexico

Dear Mr. Stogner:

Chi Energy, Inc. owns a working interest in OXY USA Inc.'s operated Wallace #1, Wallace #3 and the LD #4 offsetting the proposed unorthodox location referenced above. Chi believes the referenced unorthodox location is an effort to drain reserves underlying Chi's leasehold causing waste and thus should be denied. Please advise when this application will be scheduled for a formal hearing.

Sincerely,


John W. Qualls

JWQ/mh