



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

August 22, 2000

Lori Wrotenbery

Director

Oil Conservation Division

RECEIVED

AUG 23 2000

CAMPBELL, CARR, et. al.

Yates Petroleum Corporation
c/o William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Re: Administrative application of Yates Petroleum Corporation for an exception to Division Rule 104.C (2) for the Chosa "ATR" Federal Well No. 1 (API No. 30-015-31215) to be drilled 2250 feet from the South line and 1060 feet from the West line (Unit L) of Section 8, Township 25 South, Range 26 East, NMPM, Undesignated Chosa Draw-Morrow Gas Pool, Eddy County, New Mexico.

Dear Mr. Carr:

I have reviewed the subject application and the records of the New Mexico Oil Conservation Division ("Division") concerning this matter, please be advised that:

- (1) with the inception of Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, operators have been given an additional 18.7 acres on the surface within a single governmental quarter section in which to locate deep gas wells (Wolfcamp and older) at a location considered to be standard;
- (2) from the information provided, there appear to be areas within the 120 acres comprising the NE/4 SW/4 and S/2 SW/4 of Section 8 that adequately meets both the geological and topographical perimeters necessary for drilling at a standard deep (Morrow) gas well location; and
- (3) further, from the information provided, moving this well to the south within the SW/4 of Section 8 would improve Yates' geological position on the targeted structure. Yet this fact was never covered in the subject application.

This application is hereby **denied** and is being returned to you at this time.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 12498 Exhibit No. 2

Submitted by:

Yates Petroleum Corporation

Hearing Date: December 7, 2000

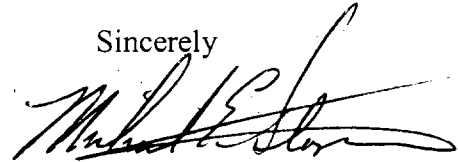
Oil Conservation Division * 2040 South Pacheco Street * Sant

Phone: (505) 827-7131 * Fax (505) 827-8177 * <http://www.oilandstate.nm.us>

As a reminder our pool rules are serious matters for the purpose of orderly development of New Mexico's valuable oil and gas resources. It is very easy to get into a mode of thinking that considers these rules as minor inconveniences and applications for exceptions as "open and shut" issues. Since the primary objective of the recent amendments to the location requirements for deep gas wells in southeast New Mexico (see the record in Case No. 12119) were to grant operators increased flexibility in locating wells and to decrease the number of applications for unorthodox locations, all future location exceptions will require substantial justification, *i.e.*, unusual circumstances. Also, please refer to the findings in the recently issued Division Order No. R-11364, issued in Case No. 12370 and dated April 28, 2000 (see copy attached) that addressed this issue further.

Thank you for your understanding, cooperation, and continued support in making this newly improved portion of New Mexico's conservation rules a meaningful success.

Sincerely



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
U. S. Bureau of Land Management - Roswell
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Kathy Valdes, NMOCD – Santa Fe