



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OCD-Artesia

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Yates Petroleum Corporation

105 South Fourth Street

Artesia, New Mexico 88210

February 16, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Attention: Cy Cowan

RECEIVED

FEB 23 2004

OCD-ARTESIA

Re: *That portion of your recent administrative application seeking an exception to Division Rule 104.C (3) [unorthodox shallow gas well location] for Yates Petroleum Corporation's proposed Desiree "BDS" Well No. 1 (API No. 30-015-33036) to be drilled at an unorthodox gas well location within the SE/4 of Section 34, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, being a standard 160-acre shallow gas spacing unit for any and all formations and/or developed on 160-acre spacing from the top of the San Andres formation to the top of the Wolfcamp formation.*

Dear Mr. Cowan:

This letter acknowledges the above-described administrative application received by the Division on January 29, 2004 and assigned **administrative application reference No. pMES0-404559472**. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in your application is not sufficient to process an administrative order at this time. It appears that portion of your application for an unorthodox shallow gas well location spaced on 160 acres is incomplete with respect to notice. Please refer to Division Rule 1207.A (2) (a) which reads:

"(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A. (5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

- (i) the Division-designated operator;
- (ii) in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
- (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]"

You state in the application, "Yates Petroleum Corporation is the offset operator to the west." Your application and the Division's records show no offsetting shallow gas production in the SW/4 of Section 34; therefore, there is no "operator" to notify. Referencing your "Exhibits II and III" (see copies attached), please identify and show the percentages owned for the working interest, royalty interest, and overriding royalty interest owners in the two fee leases in the SW/4 of Section 34. If required please provide me with proof of notice.

Since the submitted information is insufficient to review, the application was ruled as incomplete on February 16, 2004. Please submit the above stated information by Tuesday, February 24, 2004.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "mstogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,

s/

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
William F. Carr, Legal Counsel for Yates Petroleum Corporation – Santa Fe