



FOR RECORD ONLY

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

March 19, 2002

Lori Wrotenbery
Director
Oil Conservation Division

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

Administrative Order NSL-4710 (NSBHL)

Dear Mr. Bullock:

Reference is made to the following: (i) your application (*application reference No. pKRV0-202827324*) submitted to the New Mexico Oil Conservation Division ("Division") on January 25, 2002; (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer in Santa Fe with the Division on Thursday, March 14, 2002; and (iii) the Division's records in Santa Fe and Hobbs: all concerning Yates Petroleum Corporation's ("Yates") request for an unorthodox subsurface gas well location within a standard 320-acre lay-down gas spacing and proration unit comprising the S/2 of Section 3, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico, to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp to the base of the Morrow formation, which presently includes but is not necessarily limited to the X-4 Ranch-Atoka Gas Pool and X-4 Ranch-Morrow Gas Pool.

It is our understanding that Yates recently reentered the plugged and abandoned Penroc Oil Corporation Vada "SWD" Well No. 1 (**API No. 30-025-01813**), redesignated by Yates as the Vada "AVJ" State Well No. 1, located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 3, encountered parted tubing left in the hole, set a whipstock at 11,210 feet, sidetracked around the junk, and drilled to a depth of 12,160 feet without directional control.

The directional survey of the re-entered wellbore indicates that the subsurface location of this well:

(i) at kick-off point depth of 11,210 feet to be approximately 2125 feet from the South line and 729 feet from the West line of Section 3;

(ii) within the Morrow pay zone at 11,973 feet to 11,982 feet to be approximately 2183 feet from the South line and 745 feet from the West line of Section 3; and

(iii) at bottomhole depth of 12,160 feet to be approximately 2204 feet from the South line and 751 feet from the West line of Section 3.

