



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

February 14, 2000

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

Telefax No. (505) 983-6043

Administrative Order NSL-4407

Dear Mr. Owen:

Reference is made to the following: (i) your initial application dated February 7, 2000 on behalf of the operator, Yates Petroleum Corporation ("Yates"); (ii) your meeting with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer, with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Thursday, February 10, 2000; (iii) your e-mail message to the Division on February 11, 2000; (iv) your amended application dated February 11, 2000; and (v) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the file on Case No. 12352: all concerning Yates' request for an unorthodox Morrow gas well location for the plugged and abandoned Union Oil Company of California State "17" Well No. 1 (API No. 30-025-23639), to be redesignated the Wings "AUT" State Well No. 1, located 560 feet from the South line and 660 feet from the West line (Unit M) of Section 17, Township 15 South, Range 32 East, NMPM, Undesignated North Feather-Morrow Gas Pool, Lea County, New Mexico.

The State "17" Well No. 1 was originally drilled to a total depth of 10,100 feet in November/December 1970 in order to test the lower Wolfcamp formation for oil whereby it tested dry and was subsequently plugged and abandoned.

It is our understanding that Yates now intends to reenter this well and deepen it to an approximate depth of 12,700 feet in order to test the Undesignated North Feather-Morrow Gas Pool within a standard lay-down 320-acre gas spacing and proration unit comprising the S/2 of Section 17. Additionally, the information submitted with this application indicates that the additional costs associated with drilling a new well to test the Morrow formation within the S/2 of Section 17 will render the project non-economic, which could result in the waste of the hydrocarbons underlying the subject spacing unit.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.