



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Yates Petroleum Corporation

105 South Fourth Street

Artesia, New Mexico 88210-2118

Attention: Robert Bullock

July 12, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5081

Dear Mr. Bullock:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on June 21, 2004 (*administrative application reference No. pMES0-417428176*); and (ii) the Division's records in Santa Fe, including the file in Division Case No. 12282: all concerning Yates Petroleum Corporation's ("Yates") request for an unorthodox gas well location in the Atoka, Morrow, and deeper Mississippian formations for its proposed East Sand Springs Unit Well No. 5 to be drilled 250 feet from the North line and 315 feet from the West line (Lot 1/Unit D) of Section 7, Township 11 South, Range 35 East, NMPM, East Sand Springs State Unit Area (approved by Division Order No. R-11285, issued in Case No. 12282 on December 2, 1999), Lea County, New Mexico.

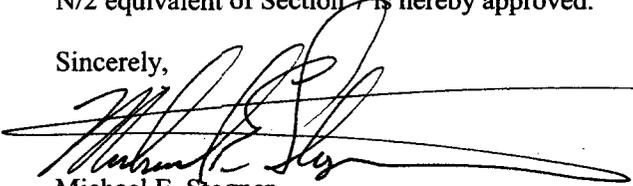
Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 7, being a standard 311.37-acre lay-down spacing unit for the Undesignated Sand Springs-Atoka Morrow Gas Pool (84871) and Undesignated Sand Springs-Mississippian Gas Pool (97125), is to be dedicated to this well.

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.

It is the Division's understanding that Yates is seeking this location exception based on a 3-D seismic survey of the immediate area, which indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the intermediate Morrow formation than a well drilled at a location considered to be standard within the north-western portion of the subject 311.37-acre unit.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location for Yates's proposed East Sand Springs Unit Well No. 5 in both pools within the N/2 equivalent of Section 7 is hereby approved.

Sincerely,



Michael E. Stogner

Engineer/Hearing Officer

MS/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
Case No. 12282