



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 30, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Yates Petroleum Corporation
c/o **Holland & Hart L.L.P.**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-5030

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Yates Petroleum Corporation ("Yates"), dated March 17, 2004 (*administrative application reference No. pMES0-407855909*); and (ii) the Division's records in Santa Fe and Artesia: all concerning Yates's request for an unorthodox Pennsylvania gas well location for its proposed Agnes "BEB" Com. Well No. 1 to be drilled 1200 feet from the North line and 1800 feet from the East line (Lot 2/Unit B) of Section 3, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian (Prorated) Gas Pool (70800), Eddy County, New Mexico.

Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 3 is to be dedicated to this well in order to form a standard 320.92-acre lay-down gas spacing and proration unit for the Atoka-Pennsylvanian (Prorated) Gas Pool.

This application has been duly filed under the provisions of: (i) 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; (ii) Division Rule 605; and (iii) the "*Special Rules and Regulations for the Atoka-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-8170, as amended.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed location will be at a more favorable geologic position within the Middle Morrow sand channel than a well drilled at a location considered to be standard within the proposed 320.92-acre unit.

By authority granted me under the provisions of Division Rules 605.B (2) (b) and 104.F (2) and the applicable provisions of the special pool rules governing the Atoka-Pennsylvanian Gas Pool, the above-described unorthodox gas well location is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner".

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia