



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

April 12, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Yarbrough Oil, L. P.
c/o **Oil Reports & Gas Services, Inc.**
1008 W. Broadway
Hobbs, New Mexico 88240

Attention: Gaye Heard
gheard@oilreportsinc.com

Administrative Order NSP-1871
(Administrative Reinstatement of Division Order No. R-479)

Dear Ms. Heard:

Reference is made to the following: (i) your application on behalf of the operator, Yarbrough Oil, L. P. (Yarbrough") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on March 29, 2004 (***administrative application reference No. pMES0-410348639***); and (ii) the Division's records in Santa Fe: all concerning Yarbrough's request to administratively amend Division Order No. R-479, dated May 27, 1954, which order authorized the creation of a non-standard 160-acre gas spacing unit in the Jalmat Gas Pool (**79240**) comprising the N/2 SW/4, SW/4 SW/4, and NW/4 SE/4 of Section 17, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.

By Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, the Division caused the prorationing of gas production to cease within the Eumont Gas Pool and promulgated "*Special Pool Rules for the Jalmat Gas Pool*," which provides for: (i) 640-acre standard gas spacing units; (ii) gas development on a well density based on one well per 160 acres; (iii) gas well locations to be no closer than 660 feet to any outer boundary of its assigned gas spacing unit or governmental quarter section line nor closer than 330 feet to any governmental quarter-quarter section line; and (iv) administrative exceptions, in most cases, to these rules.

From the Division's records and from the information provided in your application, it is understood that by Division Order No. R-479, issued in Case No. 703 on May 27, 1954, this 160-acre non-standard gas spacing unit was initially established for Jalmat gas production from Skelly Oil Company's E. L. Steeler Well No. 7 (**API No; 30-025-10789**) located at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 17. This well ceased producing from the Jalmat Gas Pool in February, 1974 and is currently temporarily abandoned in the Langlie-Mattix (Yates-Seven-Rivers-Queen-Grayburg) Pool (**37240**)

From your application, it would appear that Yarbrough intends to re-complete its E. L. Steeler Well No. 4 (**API No. 30-025-10786**), located at a standard Jalmat gas well location 860 feet from the South line and 660 feet from the West line (Unit M) of Section 17, from the Langlie-Mattix (Yates-Seven-Rivers-Queen-Grayburg) Pool into the Jalmat Gas Pool.

Yarbrough Oil, L. P.

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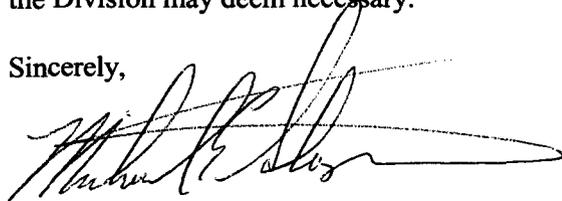
April 12, 2004

Page 2

The above-described 160-acre non-standard Jalmat gas spacing unit initially authorized by Division Order No. R-479 is hereby restored for Yarbrough's above-described E. L. Steeler Well No. 4. Division Order No. R-479 is hereby amended to reflect this well change; furthermore, all provisions applicable to the subject 160-acre non-standard gas spacing unit in Division Order No. R-479, not in conflict with this order, shall remain in full force and affect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Hobbs
File: Case No. 703
Mr. Eddy W. Seay – Hobbs, NM (seay04@leaco.net)