



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

April 29, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: Chuck Moran
cmoran@ypcnm.com

Administrative Order NSL-5045

Dear Mr. Moran:

Reference is made to the following: (i) your application (***administrative application reference No. pMES0-408631430***) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on February 23, 2004; (ii) your voice mail message for me on Wednesday morning, April 28, 2004 checking on the status of this application; and (iii) the Division's records in Santa Fe.

The Division Director Finds That:

(1) Yates Petroleum Corporation ("Yates"), as operator, proposes to drill its Weller "BDW" State Well No. 1 (API No. 30-005-63631) at a location that is 2500 feet from the South line and 660 feet from the West line (Unit L) of Section 34, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico, to a proposed depth of 7,210 feet;

(2) Pursuant to Yates's request and to the Division's records, the primary zone of interest for this well is the Siluro-Devonian dolomite; however, it is the operator's intent to test all intervals from the surface to the top of the Precambrian formation;

(3) Yates therefore seeks an exception to all applicable well location set-back requirements governing any and all formations and/or pools from the surface to the top of the Precambrian formation for its Weller "BDW" State Well No. 1 to be dedicated to the following described oil and/or gas spacing and proration units in Section 34:

- (a) the W/2 to form a standard 320-acre stand-up deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent [see Division Rule 104.C (2)], which presently includes but not necessarily limited to the Undesignated Foor Ranch-Pre Permian Gas Pool (76730);

- (b) the SW/4 to form a standard 160-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent [see Division Rule 104.C (3)], including, if and whenever applicable, the Undesignated Pecos Slope-Abo Gas Pool (82730) [Rule 4 of the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*," as promulgated by Division Order No. R-9976-C, dated March 19, 1996, as amended by Division Order No. R-9976-D, dated February 4, 2004]; and
- (c) the NW/4 SW/4 (Unit L) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Mesa Diablo-Siluro-Devonian Pool (97317) [see Division Rule 104.B (1)];

(4) The W/2 of Section 34 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-2088) with common mineral interests in which Yates is leasehold operator;

(5) It is further understood that Yates is seeking this location exception based on 3-D seismic survey of the area, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the deeper Siluro-Devonian interval than a well drilled at a location considered to be standard;

(6) The subject application has been duly filed under the provisions of Division Rule 104.F (2) and Rule 5 of the special pool rules for the Pecos Slope-Abo Gas Pool; and

(7) The subject application, which serves to prevent waste and protects correlative rights and being in the best interest of conservation, should be approved.

It Is Therefore Ordered That:

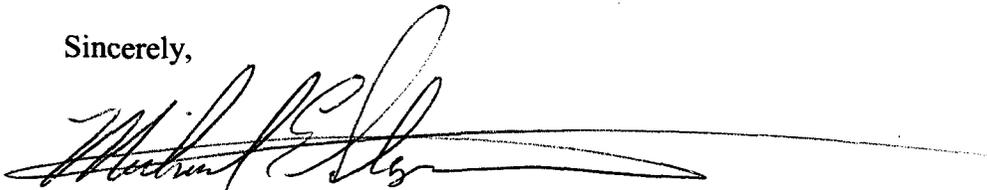
(1) Yates Petroleum Corporation is hereby authorized to drill its Weller "BDW" State Well No. 1 (API No. 30-005-63631) at an unorthodox location that is 2500 feet from the South line and 660 feet from the West line (Unit L) of Section 34, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico, in order to test all intervals from the surface to an approximate depth of 7,210 feet (top of the Precambrian formation).

(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 31:

- (a) the W/2 to form a standard 320-acre stand-up deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Floor Ranch-Pre Permian Gas Pool (76730);
- (b) the SW/4 to form a standard 160-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent, including, if and whenever applicable, the Undesignated Pecos Slope-Abo Gas Pool (82730); and
- (c) the NW/4 SW/4 (Unit L) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Mesa Diablo-Siluro-Devonian Pool (97317).

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office – Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation – Santa Fe