



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 27, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Cy Cowan

Administrative Order NSL-5209

Dear Mr. Cowan:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 25, 2005 (*administrative application reference No. pSEM0-514732525*); and (ii) the Division's records in Santa Fe: all concerning Yates Petroleum Corporation's ("Yates") request for an exception to Rule 2 (b) of the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D, and R-9922-E and the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended.

Your application has been duly filed under the provisions of Division Rule 104.F and Rule 2 (c) of the Division's associated pool rules.

The E/2 of Section 18, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico, being a standard 320-acre stand-up spacing and proration unit for the Indian Basin-Upper Pennsylvanian Associated Pool (33685), is to be dedicated to the well that is the subject of this application.

By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool the following described well to be drilled at an unorthodox location within the E/2 of Section 18 is hereby approved:

Hickory "ALV" Federal Well No. 16
1980' FSL & 1090' FEL (Unit I)
(API No. 30-015-28312).

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Indian Basin-Upper Pennsylvanian Associated Pool.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad