



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 13, 2005

Mark Fesmire

Director

Oil Conservation Division

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

Attention: **Janet Richardson, Assistant Land Manager**
jrichard@ypcnm.com

RE: NMOCD Correspondence Reference No. NSP-1893: Deep gas development within Irregular Section 32, Township 20-½ South, Range 22 East, NMPM, Eddy County, New Mexico.

Dear Ms. Richardson:

Reference is made to the following: (i) your letter dated September 12, 2005 (*Division administrative (application) reference No. pSEM0-525848096*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Artesia and Santa Fe.

Pursuant to **Division Rule 104.D (2) (a)**, which reads in part "*Division district offices have the authority to approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U. S. public land surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% or more than 130% of a standard spacing unit,*" all of Irregular Section 32 (S/2 equivalent), Township 20-½ South, Range 22 East, NMPM, Eddy County, New Mexico, comprising 279.46 acres, is the area to be allocated by Yates Petroleum Corporation to form a single deep-gas spacing unit for production attributed to any and all formations and/or pools developed under the provisions of **Division Rule 104.C (2)** on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently include but are not necessarily limited to the Undesignated Indian Loafer Draw-Upper Pennsylvanian Gas Pool (**79122**), Undesignated Little Box Canyon-Strawn Gas Pool (**96640**), Undesignated Strychnine Draw-Atoka Gas Pool (**97121**), Undesignated Little Box Canyon-Atoka Gas Pool (**80220**), and Undesignated Little Box Canyon-Morrow Gas Pool (**80240**). It is the Division's understanding that all of Irregular Section 32 comprises a single state lease issued by the New Mexico State Land Office (*State Lease No. VB-0564*).

This unit is to be dedicated to Yates Petroleum Corporation's proposed Coogan "AUN" State Well No. 1 (**API No. 30-015-34351**), to be drilled at a standard deep gas well location pursuant to Division Rule 104.C (2) (a) 660 feet from the North line and 1850 feet from the East line (Lot 2/Unit J) of Irregular Section 32.

Sincerely,

Michael E. Stogner
Engineer

MES/ms

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