



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 S. PACHECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-7131

July 18, 1996

**Yates Petroleum Corporation**  
**105 South Fourth Street**  
**Artesia, New Mexico 88210**  
**Attention: Robert Bullock**

*Administrative Order NSL-3693*

Dear Mr. Bullock:

Reference is made to your application dated July 2, 1996 for a non-standard oil well location to be applicable to any and all formations and/or pools from the surface to the Mississippian formation developed on 40-acre spacing within said vertical extent for Yates' proposed Ed Powell Unit Well No. 1 (API No. **30-025-33482**) to be drilled 1250 feet from the South line and 900 feet from the East line (Unit P) of Section 20, Township 26 South, Range 38 East, NMPM, Lea County, New Mexico. The SE/4 SE/4 of said Section 20 is to be dedicated to the well thereby forming a standard 40-acre oil spacing and proration unit.

It is our understanding that the subject well is to be drilled to a total depth of approximately 9,800 feet in order to test down to the Mississippian formation, however, the shallower Abo formation, down at approximately 8,500 feet, is the primary zone of interest. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the Abo formation than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit. Further, the subject 40-acre tract is well inside the boundary of the Yates Petroleum Corporation Ed Powell Unit Area (see Division Order No. R-10500, issued in Case 11395 and dated October 24, 1995); therefore, there are no other offsetting operators to the subject 40-acre tract.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

Administrative Order NSL-3693

Yates Petroleum Corporation

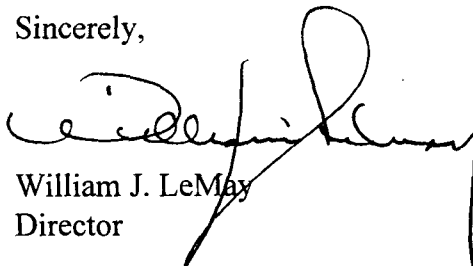
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By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is written in a cursive style with a large loop at the top.

William J. LeMay  
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia  
New Mexico State Land Office - Santa Fe  
U. S. Bureau of Land Management - Carlsbad  
File: Case 11395