



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

February 26, 1997

Harvey E. Yates Company ("HEYCO")
P. O. Box 1933
Roswell, New Mexico 88202-1933
Attention: Vickie Teel

Administrative Order NSL-3766(SD)

Dear Ms. Teel:

Reference is made to your application dated February 12, 1997 for an unorthodox "infill" Bone-Spring oil well location in an existing 40-acre standard oil spacing and proration unit for the North Shugart-Bone Spring Pool comprising the SE/4 SW/4 (Unit N) of Section 5, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico. Said 40-acre unit is currently dedicated to the applicant's Parker "5" Federal Well No. 2 (API No. 30-015-26108) located at a standard oil well location 660 feet from the South line and 1650 feet from the West line of said Section 5.

It is our understanding that the entire SW/4 of said Section 5 is a single Federal lease (No. NM-68040) in which HEYCO is the operator; therefore, there are no effected offsets to the subject 40-acre tract other than HEYCO.

The subject application indicates that a well drilled at the proposed unorthodox oil well location will situated within HEYCO's Parker "5" Federal lease to adequately drain reserves within the productive interval that might not otherwise be produced and to provide for a more efficient production pattern within the North Shugart-Bone Spring Pool.

The subject 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.

By the authority granted me under the provisions of Division General Rule 104.F(2), the following described well to be drilled at an unorthodox infill oil well location in Unit "N" of said

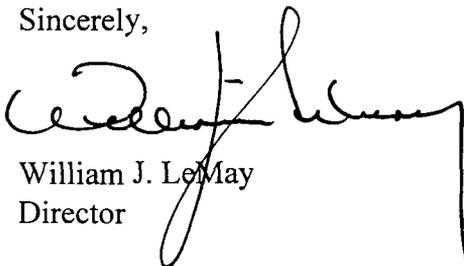
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Section 5 is hereby approved:

**Parker "5" Federal Well No. 5
1310' FSL & 1330' FWL**

Further, North Shugart-Bone Spring Pool oil production from the Parker "5" Federal Well Nos. 2 and 5 are to be simultaneously dedicated to the subject 40-acre tract.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad