



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

December 29, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
c/o **Holland & Hart L.L.P.**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSP-1258-A

Dear Mr. Carr:

Reference is made to the following: (i) your original application on behalf of the operator, Yates Petroleum Corporation ("Yates"), dated November 7, 2002 (*administrative application reference No. pMES0-328844494*); however, no record of this application being received was found in the Santa Fe office of the New Mexico Oil Conservation Division ("Division"); and (ii) the Division's records in Santa Fe, including the file on Division Administrative Order NSP-1258: all concerning Yates's request, resubmitted on October 14, 2003, for the formation of the following described non-standard 170.60-acre deep gas spacing unit to be applicable to the Wolfcamp and Pennsylvanian formations, both of which if found to be gas productive would be subject to 320-acre spacing and governed under the provisions of Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM
Irregular Section 5: All.

This unit is to be dedicated to Yates's existing Spring Deep Federal Com. Well No. 4 (API No. 30-005-63022), located at a standard gas well location pursuant to Division Rule 104.C (2) (a), as revised, 660 feet from the North line and 1980 feet from the East line (Lot 2/Unit O) of irregular Section 5.

This application has been duly filed under the provisions of Division Rule 104.D (2), as revised.

The Division's records indicate that this well, originally designated the Spring Federal Well No. 4, was initially drilled in 1994 by Yates to a total depth of 4,300 feet as an unauthorized infill Abo gas well within a non-standard gas spacing unit comprising the aforementioned 170.60 acres (approved by Division Administrative Order NSP-1258, dated July 22, 1981), which Abo gas unit was originally authorized for and is currently dedicated to Yates's Spring Federal Well No. 2 (API No. 30-005-61066), located at a standard gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Irregular Section 5. The Spring Deep Federal Well No. 4 tested dry in the Abo zone and the well was subsequently plugged and abandoned.

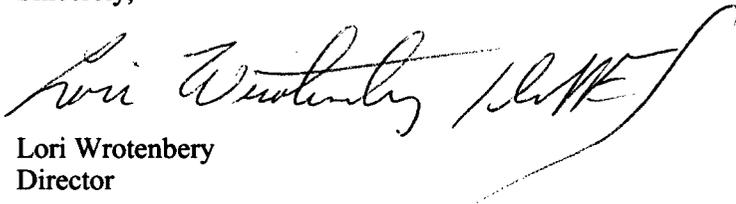
It is the Division's understanding that Yates now intends to reenter the Spring Federal Well No. 4 and deepen the wellbore to a depth sufficient to test down to the Pennsylvanian formation.

By the authority granted me under the provisions of Division Rule 104.D (2) (b), as revised, the above-described 170.60-acre non-standard deep gas spacing unit for the Wolfcamp and Pennsylvanian intervals is hereby approved.

Further, Division Administrative Order NSP-1258 shall remain in full force and affect until further notice.

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

Sincerely,



Lori Wrotenberg
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Roswell
File: NSP-1258
Ms. Katherine Hawkins, Holland & Hart L.L.P. - Santa Fe (Telefax No. 505-983-6043)