



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

October 11, 2002

Yates Petroleum Corporation
c/o **Holland & Hart LLP**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Administrative Order NSL-4664-A (SD)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator Yates Petroleum Corporation ("Yates") dated September 13, 2002 (**administrative application reference No. pKRV0-225932346**); (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the records in Division Cases No. 10272, 12006, and 12782 and the file on Division Administrative Order NSL-4664; and (iii) your telephone conversations with Mr. Michael E. Stogner, Hearing Officer/Engineer in Santa Fe on October 11, 2002: all concerning 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, for an unorthodox location within an existing 320-acre stand-up spacing and proration unit in the Indian Basin-Upper Pennsylvanian Associated Pool (**33685**) comprising the W/2 of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

This unit is currently simultaneously dedicated to Yates': (i) Smith Federal Gas Com. Well No. 2 (**API No. 30-015-26834**), located at an unorthodox location 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, approved by Division Orders No. R-9487, issued in Case No. 10272 on May 8, 1991, R-9922-D, issued in Case No. 12006 on December 7, 1998, and R-9922-E, issued in Case No. 12782 on August 16, 2002; and (ii) Smith Federal Gas Com. Well No. 3 (**API No. 30-015-30687**), located at an orthodox location 1797 feet from the North line and 2159 feet from the West line (Unit F) of Section 12, approved by Division Administrative Order NSL-4664 (SD), dated November 19, 2001, and Division Order No. R-9922-E.

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

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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 infill well location within the W/2 of Section 12 is hereby approved:

**Smith Federal Gas Com. Well No. 4
1980' FSL & 1250' FWL (Unit K).**

Yates is further authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from both the existing Smith Federal Gas Com. Wells No. 2 and 4, which is also the subject of Division Order No. R-9922-E [see Ordering Paragraph No. (9) on page 17] and proposed Smith Federal Gas Com. Well No. 4. Furthermore, Yates is permitted to continue producing the allowable assigned the subject 320-acre spacing and proration unit from all three wells in any proportion.

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

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
U. S. Bureau of Land Management - Roswell
File: NSL-4664 (SD)
Case No. 12782