



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

April 25, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Clifton R. May
landdept@ypcnm.com

Administrative Order NSL-4725

Dear Mr. May:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on April 5, 2002 (*application reference No. pKRV0-209829051*); and (ii) the Division's records in Santa Fe and Artesia: all concerning Yates Petroleum Corporation's ("Yates") request for a non-standard gas well location within a proposed 320-acre standard stand-up gas spacing and proration unit comprising the E/2 of Section 16, Township 6 South, Range 27 East, NMPM, Chaves County, New Mexico, for wildcat Wolfcamp and Strawn gas production and production from the Haystack-Cisco Gas Pool (78320).

This unit is to be dedicated to the plugged and abandoned Pearl State Well No. 1 (API No. 30-005-62884), to be redesignated the Vertigo "AXV" State Com. Well No. 1, located 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 16.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

From the Division's records, this well was originally drilled by McClellan Oil Corporation of Roswell, New Mexico in February, 1992 to a total depth of 6,535 feet to test the Montoya formation at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the SW/4 NE/4 (Unit G) of Section 16. Also, in February, 1992 this well was plugged and abandoned.

It is our understanding that Yates now intends to reenter this well to a new plug-back depth sufficient to test down to the Strawn formation.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location for the: (i) Wolfcamp formation; (ii) Haystack-Cisco Gas Pool, and (iii) Strawn formation: within this standard 320-acre gas spacing unit comprising the E/2

Administrative Order NSL-4725
Yates Petroleum Corporation
April 25, 2002
Page 2

of Section 16 is hereby approved.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrotenbery". The signature is written in dark ink and is positioned below the word "Sincerely,".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe