



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 24, 2002

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attention: Robert Bullock

Administrative Order NSL-4763

Dear Mr. Bullock:

Reference is made to the following: (i) your application (*application reference No. pKRV0-219635524*) submitted to the New Mexico Oil Conservation Division ("Division") on July 12, 2002; and (ii) the Division's records in Santa Fe: all concerning Yates Petroleum Corporation's ("Yates") request for an unorthodox oil well location for the existing Big Bear "ATN" Well No. 1 (**API No. 30-025-34908**), located 1980 feet from the South line and 1120 feet from the East line (Unit I) of Section 29, Township 15 South, Range 35 East, Undesignated Townsend-Permo Upper Pennsylvanian Pool (**59847**), Lea County, New Mexico.

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.

It is our understanding that Yates initially drilled this well in early 2000 to a total depth of 13,255 feet in order to test the Mississippian formation for commercial gas production within a standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 29. Pursuant to Division Rule 104.C (2) (a), as revised, the well's location, was considered to be "standard" for this unit. In April, 2000 this well was plugged and abandoned. In August, 2001 Yates reentered the well and tested the Atoka and Morrow intervals for gas. In December, 2001 the Wolfcamp formation was successfully completed as an oil well in the Undesignated Townsend-Permo Upper Pennsylvanian Pool. However, pursuant to Division Rule 104.B (1), as revised, this Wolfcamp oil location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NE/4 SE/4 (Unit I) of Section 29.

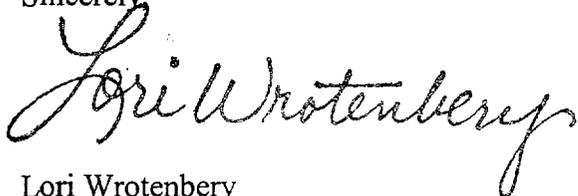
It is further understood that Yates and its partners own all the working interest in the S/2 of Section 29 and the fee mineral ownership is an undivided ownership throughout the S/2 of Section 29; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provision of Division Rule 104.F (2), the above-described unorthodox oil well location for the Big Bear "ATN" Well No. 1 within the Undesignated

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Townsend-Permo Upper Pennsylvanian Pool is hereby approved.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrotenbery". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Lori Wrotenbery
Director

LW/MES/kv

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