



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

August 28, 2002

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

Administrative Order NSL-4771

Dear Mr. Bullock:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on August 22, 2002 (*application reference No. pKRV0-223832053*); and (ii) the Division's records in Santa Fe: all concerning Yates Petroleum Corporation's ("Yates") request for a non-standard Morrow gas well location within a proposed 320-acre standard lay-down gas spacing and proration unit comprising the S/2 of irregular Section 5, Township 16 South, Range 33 East, NMPM, Undesignated Sombrero-Morrow Gas Pool (**85620**), Lea County, New Mexico.

This unit is to be dedicated to Yates's plugged and abandoned Eidson Ranch Unit Well No. 1 (**API No. 30-025-31272**), to be redesignated the Eidson Ranch "AQB" State Well No. 2, located 2080 feet from the South line and 660 feet from the East line (Unit Q) of irregular Section 5.

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.

According to the Division's well records the Eidson Ranch Unit Well No. 1 was initially drilled in 1991 by Yates to a total depth of 13,650 feet in order to test the Morrow formation for gas production within a standard 320-acre stand-up gas spacing and proration unit comprising Lots 9, 10, 15, and 16 and the SE/4 of irregular Section 5. At that time the well's location within the subject 320-acre stand-up gas spacing unit was standard for deep gas production in southeast New Mexico. The Morrow interval tested dry and the well was subsequently completed as an oil well within the Arab "C"-San Andres Pool. On July 26, 1994 this well was plugged and abandoned.

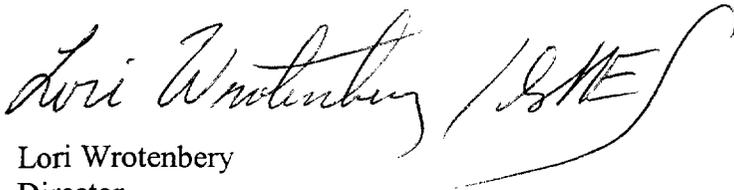
It is our understanding that Yates now intends to reenter this well and attempt once again for a successful completion within the Morrow formation. Pursuant to Rule 104.C (2) (a), as revised, this location is now considered to be unorthodox for the proposed lay-down 320-acre spacing unit.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the

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above-described unorthodox gas well location within the Undesignated Sombrero-Morrow Gas Pool is hereby approved.

Sincerely,

A handwritten signature in cursive script, reading "Lori Wrotenberg / LW/MES". The signature is written in black ink and is positioned above the typed name and title.

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe