



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Yates Petroleum Corporation

c/o Holland & Hart LLP

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

April 11, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSP-1888

Dear Mr. Carr:

Reference is made to the following: (i) your application dated March 18, 2005 (*administrative application reference No. pSEM0-508033758*) on behalf of the operator, Yates Petroleum Corporation ("Yates"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico: all concerning Yates's request for the formation of a non-standard 184.24-acre deep gas spacing unit comprising the following acreage in the Sand Springs-Mississippian Gas Pool (97125):

LEA COUNTY, NEW MEXICO

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Irregular Section 6: Lots 3 through 6 and the E/2 SW/4 (W/2 equivalent).

This unit is to be dedicated to Yates's existing East Sand Springs "BFZ" State Well No. 3 (API No. 30-025-34898), the former East Sand Springs Unit Well No. 3, located at a standard deep gas well location pursuant to Division Rule 104.C (2) (a), 1000 feet from the South line and 1400 feet from the West line (Unit N) of irregular Section 6.

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

By the authority granted me under the provisions of Division Rule 104.D (2) (b), the above-described 184.24-acre non-standard deep gas spacing unit within the Sand Springs-Mississippian Gas Pool is hereby approved.

HOWEVER, IT IS FURTHER ORDERED THAT an infill Sand Springs-Mississippian gas well within the deep gas spacing unit herein established shall not be allowed under Division Rule 104.C (2) (b). Approval for such deep Mississippian infill gas well must be obtained after notice to all off-setting operators and mineral interest owners and a hearing before a Division examiner showing that correlative rights would be adequately protected and waste would be not occur by the drilling of a second well on such a small spacing unit within an unprorated gas pool.

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

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad