



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 14, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Ocean Munds-Dry
omundsdry@hollandhart.com

Administrative Order NSP-1892

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your application dated June 24, 2005 (*administrative application reference No. pSEM0-517831938*) 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, including the file on Division Case No. 13434: all concerning Yates's request for the formation of a non-standard 389.64-acre deep gas spacing unit comprising the following acreage for wildcat Mississippian gas production:

LEA COUNTY, NEW MEXICO
TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM
Irregular Section 2: All.

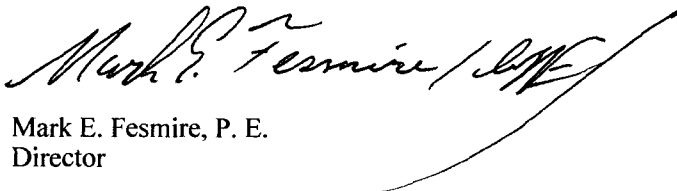
This unit is to be dedicated to Yates's proposed Chesney State Unit Well No. 2 to be drilled at a standard deep gas well location pursuant to Division Rule 104.C (2) (a), 750 feet from the South line and 1650 feet from the East line (Unit O) of irregular Section 2.

This application has been duly filed under the provisions of Division Rules 104.D (2) and 1207.A (3).

By the authority granted me under the provisions of Division Rule 104.D (2) (b), the above-described 389.64-acre non-standard deep Mississippian gas spacing unit is hereby approved.

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
New Mexico State Land Office -- Santa Fe
File: Case No. 13434