



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark Fesmire

Director

Oil Conservation Division

September 8, 2005

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Cy Cowan
ydc1@qwest.net

Administrative Order NSL-5274

Dear Mr. Cowan:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-523744344*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico by telefax on August 24, 2005; and (ii) the Division's records in Santa Fe: all concerning Yates Drilling Company's ("Yates") request to drill its proposed Parakeet "29" Federal No. 1 Well 1475 feet from the South line and 710 feet from the East line (Unit I) of Section 29, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico, to an approximate depth of 1,800 feet at an unorthodox oil well location to be applicable to any and all formations and/or pools from the surface to the base of the San Andres formation:

- (1) developed on 40-acre spacing; and
- (2) governed under the provisions of Division Rule 104.B (1), which presently includes but is not necessarily limited to the Undesignated McMillman-Seven Rivers Queen Pool (45030).

The NE/4 SE/4 (Unit I) of Section 29 is to be dedicated to the above-described Parakeet "29" Federal Well No. 1 in order to form a standard 40-acre oil spacing and proration unit pursuant to Division Rule 104.B (1).

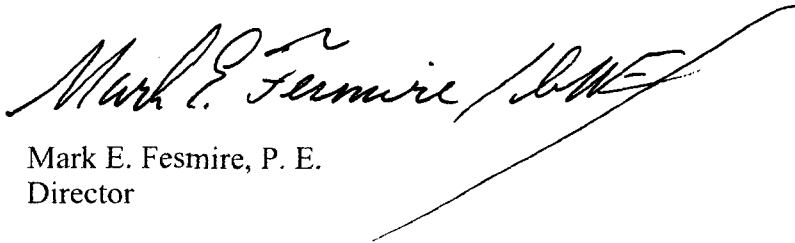
This application has been duly filed under the provisions of Division Rule 104.F and 1207.A (2).

It is the Division's understanding that the W/2 NE/4, SE/4 NE/4, SE/4 SW/4, and SE/4 of Section 29 is a single Federal lease (*United States Government lease No. LC-045545-B*) with common mineral interests in which Yates is the leasehold operator.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location of Yates' proposed Parakeet "29" Federal Well No. 1 is hereby approved only for those oil bearing intervals developed on standard 40-acre oil spacing and proration units to a depth not to exceed 1,800 or to the base of the San Andres formation, whichever is greater. For any interval below the San Andres spaced on 40-acre units, the operator must seek an exception to Division Rule 104.B (1) through the Division's hearing process.

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

Sincerely,

A handwritten signature in black ink, reading "Mark E. Fesmire" followed by a stylized flourish or set of initials.

Mark E. Fesmire, P. E.
Director

MEF/mes

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