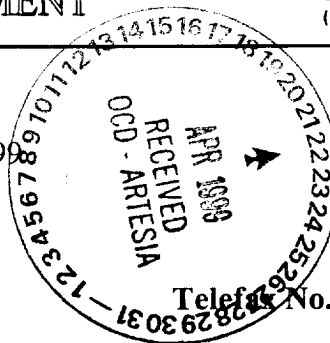




NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 16, 1999



Telephone No. (505) 746-4208

Yates Drilling Company
c/o Vandiver & Bowman, P.C.
611 West Mahone - Suite "E"
Artesia, New Mexico 88210-2075
Attention: David R. Vandiver

Administrative Order NSL-4257

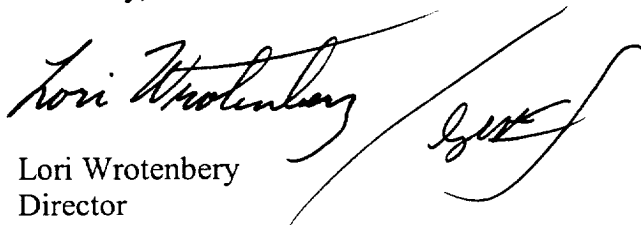
Dear Mr. Vandiver:

Reference is made to your application dated April 14, 1999 for a non-standard gas well location to be applicable to any and all formations and/or pools from the surface to the base of the Morrow formation that are: (i) developed on 320-acre spacing; and, (ii) governed under the provisions of either Rule 104.B(1)(a) or 104.C(2)(b) of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations: which presently includes but is not necessarily limited to the Undesignated Empire-Atoka Gas Pool and the South Empire-Morrow Gas Pool. The S/2 of Section 16, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit. This unit is to be dedicated to the proposed Spurck "16" State Com. Well No. 1 to be drilled 1344 feet from the South line and 1650 feet from the East line (Unit J) of Section 16.

The application has been duly filed under the provisions of Division Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox gas well location within this 320-acre unit comprising the S/2 of Section 16 is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

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