

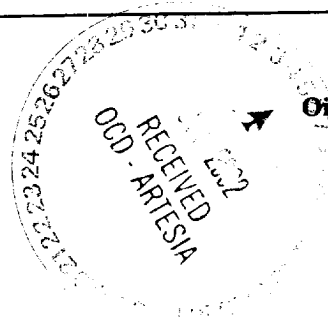


NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

June 26, 2002

Lori Wrotenbery
Director
Oil Conservation Division



Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attention: Cy Cowan
Regulatory Agent

Administrative Order NSL-4225-A (SD)

Dear Mr. Cowan:

Reference is made to the following: (i) your application (*application reference No. pKRV0-217150810*) that was submitted to the New Mexico Oil Conservation Division ("Division") on June 20, 2002; and (ii) the Division's records in Santa Fe and Artesia: all concerning Yates Petroleum Corporation's ("Yates") request for:

(a) an infill gas well to be drilled at an unorthodox location within an existing non-standard 336.57-acre stand-up gas spacing and proration unit ("GPU") comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool (79040), Eddy County, New Mexico; and

(b) an exception to Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for the Wolfcamp, Strawn, Atoka, and Morrow formations underlying the W/2 equivalent of Section 1, being a standard 336.57-acre stand-up gas spacing unit for all four intervals.

The Division Director Finds That:

(1) Yates is proposing to drill its Zingaro "ANG" Federal Well No. 5 at a location that is 710 feet from the South line and 2050 feet from the West line (Unit N) of Section 1, to a depth sufficient to test down to and including the Morrow formation;

(2) The Indian Basin-Morrow Gas Pool (78960) currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Sections 2 and 3:	All
Sections 9 and 10:	All

Section 11:	W/2
Section 14:	SW/4
Section 15:	All
Sections 22 through 25:	All
Section 36:	All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 9:	S/2
Section 15:	S/2
Sections 16 and 17:	All
Sections 19 through 22:	All
Sections 30 through 32:	All;

(3) The Indian Basin-Morrow Gas Pool is governed by the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*," as promulgated by Division Orders No. R-8170-O-1/R-2441-B, issued in Case No. 11512 and dated July 31, 1996, and R-8170-O-2/R-2441-C, dated August 15, 1996, which includes provisions: (i) for 640-acre spacing; (ii) requiring wells to be located no closer than 660 feet to the outer boundary of a unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary; (iii) that allows for one infill well per 640-acre unit; (iv) that confines these special pool rules to those lands that are within the pool's horizontal limits; and (v) for a buffer zone extending one-half mile beyond the pool boundary with additional restrictions on locations therein;

(4) The proposed Morrow gas spacing unit comprising the W/2 equivalent of Section 1 is within this one-half mile buffer area and is therefore subject to provisions that require: (i) 320-acre spacing; and (ii) for wells to be no closer than 660 feet to the outer boundary of this unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;

(5) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Sections 2 through 5:	All
Sections 8 through 11:	All
Section 12:	W/2
Section 13:	W/2
Sections 14 through 17:	All
Section 21:	N/2
Section 22:	All;

(6) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by: (i) Division Rule 605; and (ii) the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended: which require standard 640-acre GPU's with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(7) However, Division Order No. R-9922-D, issued in Case No. 12006 and dated December 7, 1998, adjusted the pool boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool (which special pool rules requires 320-acre spacing) and approved a non-standard 320-acre, more or less, gas spacing and proration unit for the W/2 equivalent of Section 1, within the Indian Basin-Upper Pennsylvanian Gas Pool [see Ordering Paragraph No. (3), subparagraph (B), on page 11 of Order No. R-9922-D]. Further, Division Order No. R-9922-D provided that any future well located within the W/2 equivalent of Section 1 is to be located no closer than 660 feet to the eastern boundary of this 320-acre unit;

(8) This non-standard 336.57-acre GPU within the Indian Basin-Upper Pennsylvanian Gas Pool is currently dedicated to Yates's Zingaro "ANG" Federal Well No. 4 (API No. 30-015-30550), located at a previously approved unorthodox location (approved by Division Administrative Order NSL-4225, dated March 4, 1999) 1500 feet from the North line and 1550 feet from the West line (Unit F) of Section 1; and

(9) Further, all of Section 1 is a single Federal lease (United States Government lease No. NM-92742) in which Yates is the leasehold operator; therefore, there are no effected offsets to the subject 345.88-acre tract other than Yates.

(10) The subject application for Yates's Zingaro "ANG" Federal Well No. 5 has been duly filed under the provisions of: (i) Division Rule 104.F; (ii) Division Rule 605; (iii) Division Rule 1207.A (2); and (iv) the special rules governing the Indian Basin-Upper Pennsylvanian Gas Pool.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rules 104.F (2), as revised, and 605.B (2) (b), and the applicable provisions of the rules governing the Indian Basin-Upper Pennsylvanian Gas Pool (79040), Yates Petroleum Corporation's ("Yates") request for its proposed Zingaro "ANG" Federal Well No. 5 at a location that is 710 feet from the South line and 2050 feet from the

West line (Unit N) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) Wolfcamp, Strawn, Atoka, and/or Morrow gas production from Yates's proposed Zingaro "ANG" Federal Well No. 5 is to be dedicated to a standard 336.57-acre stand-up gas spacing and proration unit comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1.


(3) The existing 336.57-acre non-standard gas spacing and proration unit within the Indian Basin-Upper Pennsylvanian Gas Pool that also comprises the W/2 equivalent of Section 1 is to be simultaneously dedicated to Yates's:

(a) existing Zingaro "ANG" Federal Well No. 4 (API No. 30-015-30550), located at a previously approved unorthodox location (approved by Division Administrative Order NSL-4225, dated March 4, 1999) 1500 feet from the North line and 1550 feet from the West line (Unit F) of Section 1; and

(b) above-described Zingaro "ANG" Federal Well No. 5.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
U. S. Bureau of Land Management - Carlsbad
File: NSL-4225