



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 29, 2004

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: William F. Carr

Administrative Order NSL-5127

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Yates Petroleum Corporation ("Yates") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on October 8, 2004 (*administrative application reference No. pSEM0-428753552*); and (ii) the Division's records in Santa Fe and Hobbs, including the file in Case No. 8503: all concerning Yates's request for a non-standard wildcat Mississippian gas well location for its existing Kochia "AAM" State Well No. 1 (**API No. 30-025-28905**), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 35, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico.

The E/2 of Section 35, being a standard 320-acre stand-up deep gas spacing unit for a wildcat Mississippian gas test [see Division Rule 104.D (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999], is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

According to the Division's records, Yates initially drilled this well in 1984 to a total depth of 13,800 feet and completed it in 1985 as an oil well within the Dean-Devonian Pool (**16530**) at an unorthodox oil well location within a standard 40-acre oil spacing and proration unit comprising the SW/4 SE/4 of Section 35 (approved by Division Order No. R-7870, issued in Case No. 8503 on April 10, 1985).

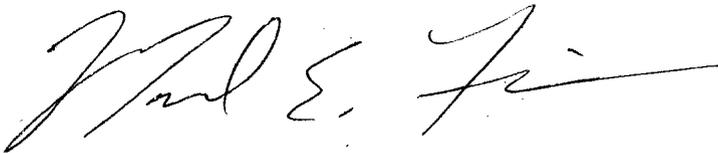
It is the Division's understanding that Yates now intends to abandon the deeper Devonian interval, plug-back, and recomplete this well up-hole into the gas bearing Mississippian formation; however, pursuant to Division Rule 104.C (2) (a), as revised, this location is considered to be unorthodox.

By the authority granted me under the provisions Division Rule 104.F (2), as revised, the above-described unorthodox Mississippian gas well location for Yates's Kochia "AAM" State Well No. 1 within the E/2 of Section 35 is hereby approved.

Moreover, Division Order No. R-7870 is hereby placed in abeyance until further notice.

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. 8503