



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 9, 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: William F. Carr
Legal Counsel for Yates Petroleum Corporation
wcarr@hollandhart.com**

Administrative Order NSL-5164

Dear Mr. Carr:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-503829195*) on behalf of the operator, Yates Petroleum Corporation ("Yates") submitted to the New Mexico Oil Conservation Division ("Division") on February 3, 2005; and (ii) the Division's records in Santa Fe and Artesia, including the files in Division Cases No. 13332 (application of Yates for approval of the Boffin State Exploratory Unit Agreement, which resulted in the issuance of Division Order No. R-12213 on September 9, 2004) and No. 13443 (Division's District II nomenclature case): all concerning Yates' request for an unorthodox Siluro-Devonian oil well location for its existing Boffin State Unit Well No. 1 (**API No. 30-005-63684**), recently drilled 1500 feet from the South and East lines (Unit J) of Section 16, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is the Division's understanding after reviewing your application and our records that this well was permitted by Yates to a proposed depth of 6,870 feet as a PreCambrian gas test within a standard 320-acre lay-down gas spacing unit (see the "*Application for Permit to Drill*" dated September 3, 2004). Pursuant to Division Rule 104.C (2) (a), as revised, the well's location was considered to be "standard" for a deep gas well within this unit. Division records further indicate the well was spud on October 4, 2004; on October 25, 2004 a total depth of 6,684 feet was reached and on October 27, 2004 production casing was set; on November 30, 2004 the "Silurian" was perforated from 6,390 feet to 6,398 feet.

Pursuant to Division Rule 104.B (1), as revised, the resulting oil well location within the Lloyd's Canyon-Siluro Devonian Pool (97420), which pool creation is currently pending formal authorization in Case No. 13443 heard on March 3, 2005, is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NW/4 SE/4 (Unit J) of Section 16.

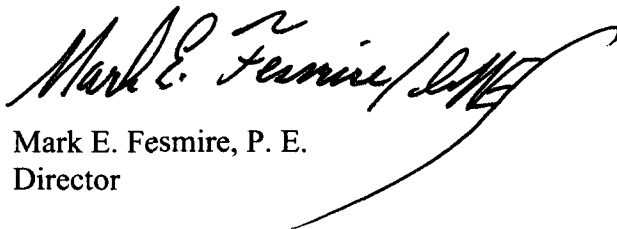
It is further understood: (i) the E/2 of Section 16 is a single state lease issued by the New Mexico State Land Office (*State Lease No. VA-2055*) in which Yates is the leasehold operator and all mineral interest is common; and (ii) all of Section 16 is subject to the Boffin State Exploratory Unit Agreement (see Division Order No. R-12213); therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provision of Division Rule 104.F (2), the above-described unorthodox Siluro-Devonian oil well location is hereby approved.

AGAIN, PLEASE NOTE THAT IN THE FUTURE, Yates, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations. Any future disregard to the Division's well spacing rules with respect to secondary or primary intervals may subject all such future requests to 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,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: Case No. 13332