



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 14, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Yates Petroleum Corporation

c/o **Permits West, Inc.**

37 Verano Loop

Santa Fe, New Mexico 87505

Attention: Brian Wood

brian@permitswest.com

Administrative Order NSP-1887 (L)

Dear Mr. Wood:

Reference is made to the following: (i) your application on behalf of the operator, Yates Petroleum Corporation ("Yates"), initially submitted to the New Mexico Oil Conservation Division ("Division") on January 4, 2005 (***administrative application reference No. pMES0-501843249***); (ii) the Division's initial response from Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe by letter dated January 25, 2005; (iii) Mr. Stogner's second letter dated March 2, 2005; (iv) your response by letter dated March 4, 2005; (v) Mr. Stogner's e-mail on Wednesday, March 9, 2005; (vi) your letter dated March 11, 2005 with the necessary information and attachments to complete this application; and (vii) the Division's records in Aztec and Santa Fe and the assistance of the Aztec staff: all concerning Yates' request for a non-standard 90.80-acre gas spacing unit consisting of the following acreage in the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Pool (78160):

SAN JUAN COUNTY, NEW MEXICO

TOWNSHIP 30 NORTH, RANGE 13 WEST, NMPM

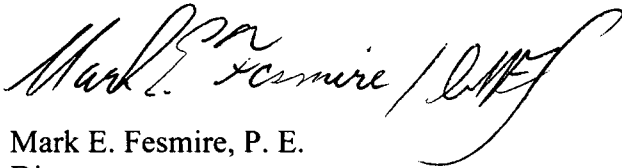
Irregular Section 19: Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent).

This unit is to be dedicated to Yates' proposed Viersen Federal Well No. 3 (**API No. 30-045-32462**) to be drilled at an unorthodox gas well location, pursuant to Division Rule 104.C (3), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, 1825 feet from the South line and 1520 feet from the West line (Unit K) of Irregular Section 19.

This application has been duly filed under the provisions of Division Rules 104.D (2) and 104.F, as revised.

By the authority granted me under the provisions of Division Rules 104.D (2) (b) and 104.F (2), the above-described 90.80-acre non-standard Pictured Cliffs gas spacing unit and unorthodox Pictured Cliffs gas well location for Yates' proposed Viersen Federal Well No. 3 is hereby approved.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire / MEF".

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management – Farmington
William F. Carr, Legal Counsel for Yates Petroleum Corporation – Santa Fe