



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 16, 2006

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Ernest L. Carroll
Sr. Landman

Administrative Order NSL-4663-A

Dear Mr. Carroll:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-606153188*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 8, 2006; (ii) the Division's initial response from Mr. Michael E. Stogner, Engineer in Santa Fe, by letter dated March 2, 2006 requesting additional information; (iii) your telephone conversation with Mr. Stogner on Wednesday, March 8, 2006; (iv) your reply by letter dated March 8, 2006 that was received on March 10, 2006 with sufficient information to complete your application; and (v) the Division's records in Santa Fe and Artesia: all concerning Yates Petroleum Corporation's ("Yates") request to reinstate and amend Division Order NSL-4663.

Said Division Administrative Order NSL-4663, dated November 6, 2001, authorized Yates Petroleum Corporation ("Yates") to reenter the plugged and abandoned Maxus Exploration Company Newkumet Federal Well No. 1 (API No. 30-005-62532), to be redesignated the Applesauce "AZR" Federal Well No. 1, located 500 feet from the North line and 990 feet from the West line (Unit D) of Section 25, Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico, at an unorthodox gas well location for any and all formations and/or pools from the surface to the base of the Strawn formation developed on 320-acre spacing and governed under the provisions of Division Rule 104.C (2), within the N/2 of Section 25.

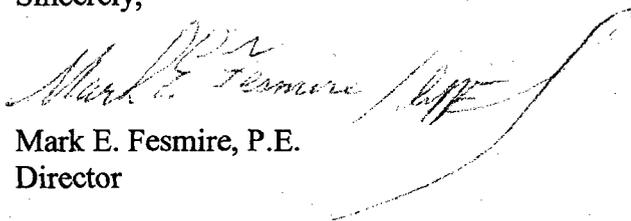
Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding that Yates postponed its plans to reenter this well in 2001, but now intends to reenter this well and drill out to the base of the Ordovician dolomite.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location within this standard 320-acre gas spacing unit comprising the N/2 of Section 25 is hereby approved for deep gas production to be applicable to any and all formations and/or pools from the surface to the base of the Ordovician dolomite formation developed on 320-acre spacing and governed under the provisions of Division Rule 104.C (2).

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary

Sincerely,



Handwritten signature of Mark E. Fesmire in cursive ink.

Mark E. Fesmire, P.E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Roswell
File: NSL-4663 (pKRV0-125449296)