



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 7, 2005

Mark Fesmire

Director

Oil Conservation Division

Yates Petroleum Corporation
c/o Holland & Hart, L.L.P.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

RECEIVED

SEP 14 2005

OCU-ARTESIA

Attention: William F. Carr

Administrative Order NSL-4225-B (SD)

Dear Mr. Cowan:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-522745043*) filed on behalf of the operator, Yates Petroleum Corporation ("Yates"), that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 15, 2005; and (ii) the Division's records in Artesia and Santa Fe: all concerning Yates' request for an exception to Rule 2 (b) of the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D, and R-9922-E and the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended, for an unorthodox location within an existing 336.57-acre stand-up spacing and proration unit 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 Associated Pool (33685), Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rule 104.F and Rule 2 (c) of the Division's associated pool rules.

This 336.57-acre spacing and proration unit is to be simultaneously dedicated to Yates' existing:

- (a) Zingaro "ANG" Federal Well No. 4 (API No. 30-015-30550), located at an unorthodox location 1500 feet from the North line and 1550 feet from the West line (Unit F) of Section 1, which well was the subject of Division Administrative Order NSL-4225, dated March 4, 1999; and
- (b) Zingaro "ANG" Federal Well No. 5 (API No. 30-015-32346), located at an unorthodox infill location 710 feet from the South line and 2050 feet from the West line (Unit N) of Section 1, which well was the subject of Division Administrative Order NSL-4225-A (SD), dated June 26, 2002.

The subject application has been duly filed under the provisions of Division Rule 104.F and Rule 2 (c) of the Division's associated pool rules.

By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool the following described well to be drilled at an unorthodox infill well location within the W/2 equivalent of Section 1 is hereby approved:

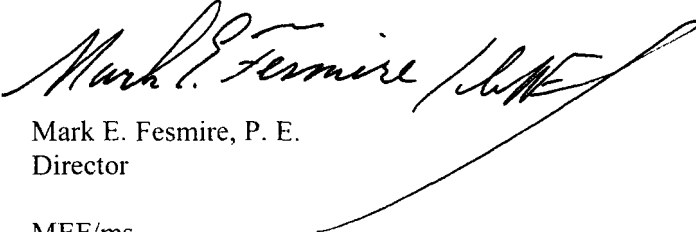
**Zingaro "ANG" Federal Well No. 7
660' FNL & 1300' FWL (Lot 4/Unit D).**

Further, the aforementioned wells and spacing/proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Indian Basin-Upper Pennsylvanian Associated Pool.

Yates is further authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from the aforementioned Zingaro "ANG" Federal Wells No. 4, 5, and 7. Furthermore, Yates is permitted to produce the allowable assigned the subject 336.57-acre spacing and proration unit from all three wells in any proportion.

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
U. S. Bureau of Land Management – Carlsbad
Files: NSL-4225
NSL-4225-A (SD)