

July 9, 1997

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

Attention: Eric Cummins

D-179 H

*Administrative Order DD-***(H)*
High Angle/Horizontal

Dear Mr. Cummins:

Reference is made to your application dated June 2, 1997 for authorization to initiate a high angle/horizontal directionally drilling project in the Diablo-Fusselman Pool within a portion of a single State lease (LG-5426) operated by Yates Petroleum Corporation ("Yates") comprising the S/2 of Section 21, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

The Division Director Finds That:

- (1) The application by Yates has been duly filed under the provisions of Rule 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) The Diablo-Fusselman Pool currently comprises all of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico and is subject to "*General Rules and Regulations for the Associated Oil and Gas Pools in Northwest and Southeast New Mexico/Special Rules and Regulations For The Diablo-Fusselman Associated Pool*", as promulgated by Division Order Nos. R-9131-A/R-5353-K, issued in Case 9854 and dated August 3, 1990, as amended by Division Order No. R-9131-B, dated February 5, 1991, and R-9131-C/R-5353-K-1, dated April 15, 1992, which includes provisions for:
 - (i) 80-acre oil spacing and proration units;
 - (ii) 160-acre gas spacing and proration units;
 - (iii) well location requirements whereby each well, oil or gas, shall be no closer than 330 feet to the outer boundary of the proration unit or 330 feet to