

July 22, 2002

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

Telefax No. (505) 983-6043

Attention: William F. Carr

Administrative Order NSP-1858

Dear Mr. Carr:

Reference is made to the following: (i) your application dated July 1, 2002 (*pKRV0-218447161*) on behalf of the operator, Yates Petroleum Corporation ("Yates"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Yates's request for the formation of the following described non-standard 166.83-acre gas spacing unit to be applicable to the Wolfcamp and Pennsylvanian formations, both of which if found to be gas productive would be subject to 320-acre spacing and governed under the provisions of Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM
Irregular Section 6: All.

This unit is to be dedicated to Yates's proposed Spring Federal Well No. 5, to be drilled at a standard gas well location pursuant to Division Rule 104.C (2) (a), as revised, 660 feet from the South and East lines (Lot 1/Unit P) of irregular Section 6.

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

By the authority granted me under the provisions of Division Rule 104.D (2) (b), as revised, the above-described 166.83-acre non-standard gas spacing unit for the Wolfcamp and Pennsylvanian intervals is hereby approved for Yates's proposed Spring Federal Well No. 5.

IT IS FURTHER ORDERED HOWEVER THAT an infill well in any deep gas spacing unit established by the Spring Federal Well No. 5 shall not be allowed under Division Rule 104.C (2) (b). Approval for such infill well must be obtained after notice to all off-setting operators and mineral interest owners and a hearing before a Division examiner showing that correlative rights would be adequately protected and waste would be not occur by the drilling of a second well on this small of spacing unit in an un-prorated pool.

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

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management – Roswell