

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 14, 2007

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

Attention: Ms. Ocean Munds-Dry, Attorney

Re: **Waylon State Unit Well No. 8**
API No. 30-025-38256
660' FNL & 2310' FWL, Unit C,
Section 14, T-11 South, R-34 East, NMPM,
Lea County, New Mexico

Administrative Order NSL-5665

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) Your application filed on behalf of Yates Petroleum Corporation ("Yates" or "applicant") for a non-standard well location (*administrative application referenece No. pCLP0720628465*) for the Waylon State Unit Well No. 8 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 23, 2007; and

(b) the Division's records pertinent to Yates' request.

The applicant requests approval of an unorthodox gas well location for its proposed Waylon State Unit Well No. 8 in the Undesignated Northwest Eight Mile Draw-Morrow Gas Pool (97190) or the Undesignated Sand Springs Atoka-Morrow Gas Pool (84871) which is to be drilled 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 14, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico. The W/2 of Section 14 is to be dedicated to the well in the Undesignated Northwest Eight Mile Draw-Morrow Gas Pool or the Undesignated Sand Springs Atoka-Morrow Gas Pool forming a standard 320-acre gas spacing and proration unit.

The Northwest Eight Mile Draw-Morrow Gas Pool is currently governed by Division Rule No. 19.15.3.104(C). The Sand Springs Atoka-Morrow Gas Pool is governed by Division Rule No. 19.15.3.104(C), and by special pool rules established by Division Order No. R-11164.

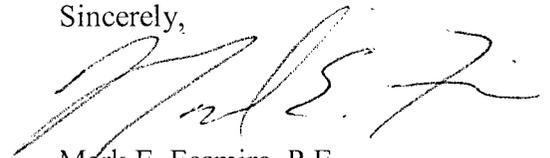
Geologic evidence submitted by the applicant demonstrates that the proposed unorthodox well location is necessary in order to penetrate the Morrow formation at a geologically favorable location, thereby increasing the likelihood of obtaining commercial gas production..

The affected offset acreage is operated by Yates, and the interest ownership between the proposed unit and the E/2 of Section 14 is common. Consequently, the applicant is not required to provide notice of this application to any party.

Division records show that there are no other wells producing from the Northwest Eight Mile Draw-Morrow Gas Pool or the Sand Springs Atoka-Morrow Gas Pool within the W/2 of Section 14.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Northwest Eight Mile Draw-Morrow Gas Pool or the Sand Springs Atoka-Morrow Gas Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: OCD-Artesia