



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



March 19, 2008

Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5800

**Re: Yates Petroleum Corporation
Waylon State Unit Well No. 7
API No. 30-025-38753
Unit D, Section 22-11S-34E
Lea County**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-03551136**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Yates Petroleum Corporation (Yates), on February 1, 2008, and

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

Yates has requested to drill the above-referenced well at an unorthodox Morrow gas well location, 660 feet from the North line and 330 feet from the West line (Unit) of Section 22, Township 11 South, Range 34 East, N.M.P.M., in Lea County, New Mexico. The W/2 of Section 22 will be dedicated to this well in order to form a standard 320-acre spacing unit in the undesigned Northwest Eight-Mile Draw-Morrow Gas Pool (97190). This pool is governed by statewide Rule 104.C(2), which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than feet from the western unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location for geologic reasons.



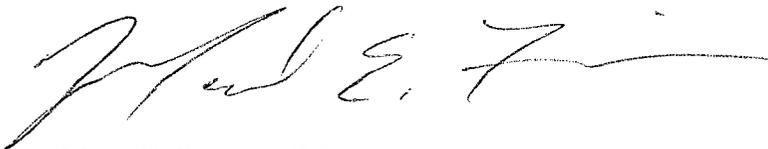
It is also understood that notice of this application to offsetting operators or owners is unnecessary because all offsetting units towards which this location encroaches have common working interest ownership with the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe