



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



July, 2008

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

Administrative Order NSL-5865

**Re: Yates Petroleum Corporation
East Sand Springs BFZ State Well No. 3
API No. 30-025-34898
1000 FSL and 1400 FWL
Unit N, Section 6-11S-35E
Lea County, New Mexico**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-15837838**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Yates Petroleum Corporation (Yates), on June 5, 2008, and

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

Yates has requested to re-complete the above-referenced well at an unorthodox Abo oil well location, described above in the caption of this letter. The SE/4 SW/4 of Section 6 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Sand Springs Abo Pool (96803). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern and northern unit boundaries.

Your application on behalf of Yates 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 in order to utilize an existing wellbore that was drilled to a different formation at a standard location.



July 3, 2008

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It is also understood that notice of this application to offsetting operators or owners is unnecessary because of common ownership.

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 horizontal line 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