



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



January 23, 2009

Yates Petroleum Corporation
Attn: Mr. W. Lucky Briggs
105 South Fourth Street
Artesia, NM 88210

Administrative Order NSL-5984

Re: Touchdown BJC Federal Well No. 2
API No. 30-005
Unit A, Section 11-12S-26E
Chaves County, New Mexico

Dear Mr. Briggs:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA08-0836451667**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 29, 2008, and

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

Yates Petroleum Corporation (Yates) has requested to drill the above-referenced well at an unorthodox gas well location, 370 feet from the North line and 660 feet from the East line (Unit A) of Section 11, Township 12 South, Range 26 East, N.M.P.M., in Chaves County, New Mexico. The N/2 of Section 11 will be dedicated to this well in order to form a standard 320-acre wildcat gas spacing unit in the Siluro-Devonian formation. This pool is governed by statewide Rule 15.10.B, which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the northern unit boundary.

In addition, Yates has also requested approval of this non-standard location for any other formation or pool spaced on 320 acres and requiring the same setbacks in which the well may be subsequently completed, and for a NE/4 unit in any formation or pool spaced on 160 acres, and requiring 660-foot setbacks from unit boundaries, pursuant to Rule 15.10.C, including, but not limited to, the undesignated Sand Draw-Abo Gas Pool (97418).

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



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Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location for geologic reasons, in order to achieve the most favorable bottom hole location in the Siluro-Devonian formation.

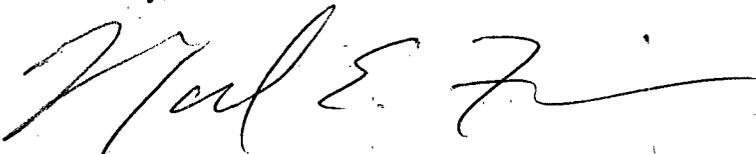
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches, as to both the proposed 320-acre, N/2 unit and the proposed 160-acre, NE/4 unit.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 5.9.

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 - Artesia
New Mexico State Land Office - Santa Fe
United States Bureau of Land Management - Carlsbad