



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

October 5, 2010

Paladin Energy Corp.
Attn: David Plaisance
10290 Monroe Drive, #301
Dallas, TX 75229

Administrative Order NSL-6284

Re: South Vacuum Unit Well No. 275
API No. 30-025-27299
1700 FNL & 760 FEL
Unit H, Section 27-18S-35E
Lea County, New Mexico

Dear Mr. Plaisance:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTGW10-25749236**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 14, 2010, and
- (b) the Division's records pertinent to this request.

Paladin Energy Corp. [OGRID 164070] (Paladin) has requested to re-complete the above-referenced well as a directional well in the Devonian formation. The well's surface location is described in the caption of this letter. It will be recompleted in the Devonian at an unorthodox bottom hole location, 1371 feet from the North line and 1916 feet from the East line (Unit G) of Section 27. The S/2 NE/4 of Section 27 will be dedicated to this well in order to form a standard 80-acre, more or less, spacing unit in the South Vacuum Devonian Pool (62010).

Spacing in this pool is governed by the Special Rules and Regulations for the South Vacuum-Devonian Pool, as adopted by Order R-1382-C, issued on September 16, 1960, which provide for 80-acre units, with wells located not more than 150 feet from the center of a quarter-quarter section. The proposed bottom hole location for this well is more than 150 feet from the center of the SW/4 NE/4 of Section 27.

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505

Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD

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

It is our understanding that you are seeking this location in order to utilize an existing wellbore.

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.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Acting Director

MEF/db