



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Brett F. Woods, Ph.D.
Acting Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



February 14, 2011

Mr. Brian Wood
Permits West, Inc.
37 Verano Loop
Santa Fe, NM 87508

Administrative Order NSL-6337

**Re: Yates Petroleum Corporation
East Sand Springs BGE State Com. Well No. 9
API No. 30-025-36985
1040 feet FNL & 1040 feet FWL
Unit D, Section 35-10S-34E
Lea County, New Mexico**

Dear Mr. Wood:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-02443390**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Yates Petroleum Corporation [OGRID 25575] (Yates), on January 21, 2011, and

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

Yates has requested to re-complete the above-referenced well in the Permo Upper Pennsylvanian formation at an unorthodox oil well location described above in the caption of this letter. The NW/4 NW/4 of Section 35 will be dedicated to this well in order to form a standard 40-acre spacing unit in the undesignated Sand Springs Permo Upper Penn Pool (97487). This pool is governed by statewide Rule 15.9, 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 southern and eastern unit boundaries.

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 in order to utilize an existing wellbore.

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



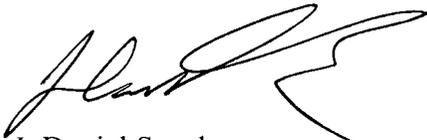
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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 "J. Daniel Sanchez", with a long, sweeping horizontal stroke extending to the right.

J. Daniel Sanchez
Acting Director

JDS/db

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