



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 30, 2007

Yates Petroleum Corporation
Attn: Mr. Cy Cowan
105 South Fourth St
Artesia, NM 88210-2118

JAN 23 2008
OCD-ARTESIA

Re: Shafer BHS Federal Well No. 1
API No. 30-015-35001
Unit E, Section 26-21S-24-E
Eddy County, New Mexico

Dear Mr. Cowan:

The Division has received your application for administrative approval for non-standard location for the referenced well (**administrative application reference No. pTDS07-27549187**), which was filed in the Santa Fe Office on October 1, 2007.

After review of this application, it seems that the location of this well is orthodox, and no NSL approval is required.

The Special Pool Rules for the Indian Basin-Morrow Gas Pool were amended by Order R-8170-O-(1), issued in Case No. 11512 on July 31, 1996, as corrected by order R-8170-O-(2), issued on August 15, 1996, to change the applicable setbacks to 660 feet from a unit outer boundary and 330 feet from a quarter-quarter section line. It seems that the referenced well conforms to these location requirements.

The other pools referenced in your application are governed by statewide Rule 104.C(2).

Accordingly, unless we are provided with additional information indicating that the requested approval is needed, the Division will take no further action on this application.

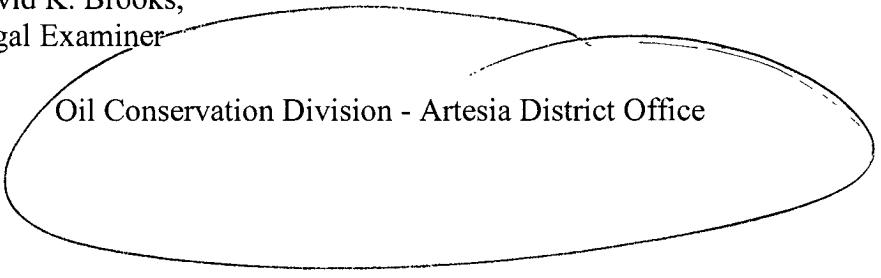
Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

A handwritten signature in dark ink, appearing to read "David K. Brooks". The signature is fluid and cursive, with a large initial "D" and a stylized "K".

David K. Brooks,
Legal Examiner

cc: Oil Conservation Division - Artesia District Office

A large, empty oval shape drawn in dark ink, positioned below the "cc:" line and partially overlapping the "Oil Conservation Division" text.