

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



April 4, 2012

Yates Petroleum Corporation
Attn: Mr. Rob Morrison

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6587
Administrative Application Reference No. pDKB12-09542221

Yates Petroleum Corporation
OGRID 25575
Zinnia BKC Federal Well No. 1
API No. 30-015-27939

Proposed Location:

| | Footages | Unit | Sec. | Township | Range | County |
|-------------------|---------------------|-------------|-------------|-----------------|--------------|---------------|
| Surface | 1980 FNL & 910 FWL | E | 27 | 20S | 29E | Eddy |
| Penetration Point | 1991 FNL & 1521 FWL | F | 27 | 20S | 29E | Eddy |
| Terminus | 2014 FNL & 1653 FWL | F | 27 | 20S | 29E | Eddy |

Proposed Project Area:

| Description | Acres | Pool | Pool Code |
|-------------------------|--------------|---------------------|------------------|
| SE/4 NW/4 of Section 27 | 40 | wildcat Bone Spring | |

Reference is made to your application received on March 8, 2012.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are less than 330 feet from an outer boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

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

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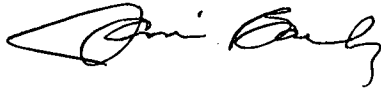
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

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 [19.15.15.9 NMAC].

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 "Jami Bailey", with a stylized, cursive script.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division –
United States Bureau of Land Management