



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 31, 2007

Ms. Ocean Munds-Dry
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504-2208

Administrative Order NSL-5742

**Re: Yates Petroleum Corporation
Strait State Unit Well No. 6
API No. 30-025-38584
Unit C, Section 29-10S-34E
Lea County**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR07-30230646**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on behalf of Yates Petroleum Corporation (Yates), on October 24, 2007, and

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

Yates has requested to drill the above-referenced well at an unorthodox Morrow gas well location, 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 29, Township 10 South, Range 34 East, N.M.P.M., in Lea County, New Mexico. The N/2 of Section 29 will be dedicated to this well in order to form a standard 320-acre spacing unit in the undesignated Sand Springs-Atoka/Morrow GasPool (84871). This pool, insofar as relevant to this application, is governed by statewide Rule 104.C(2), which provides for 320-acre units, with wells located at least 660 feet from the outer boundary of any quarter section. This location is less than 660 feet from the eastern boundary of the NW/4 of Section 29.

Your application on behalf of Yates has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because Yates' geologic interpretation indicates that it is the most favorable location for an economic well.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because the encroachment is internal to the proposed unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



M Mark E. Fesmire, P.E.
Director

MEF/db

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