

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

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Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 9, 2008

Administrative Order NSL-5810

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210-2118

Attention: Lucky Briggs

RE: Yates' NSL Application: Oreck BDO Com Well No. 1 (API No. 30-005-64003)

1780' FEL, 2150' FNL, Unit G (non-standard for gas production)
Section 21, T10S, R26E, NMPM, Chaves County, New Mexico

320 Acre, E/2 of Section 21 Gas Spacing Unit
Foor Ranch-PrePermian Gas Pool (76730)
Foor Ranch-Wolfcamp Gas Pool (76750)

160 Acre, NE/4 of Section 21 Gas Spacing Unit
Pecos Slope Abo Gas Pool (82730)

Reference is made to: Yates Petroleum Corporation's ("Yates") application for a non-standard gas well location (*administrative application reference No. pKVR0808028922*) for the subject well that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 19, 2008; and the Division's records pertinent to Yates' request.

Yates requests authority to drill this well at this non-standard location in order to avoid a buried gas pipeline and to optimize the well for production from the Siluro-Devonian gas (Foor Ranch-Pre-Permian Gas Pool) on the crest of a structure. The secondary targets in this well would likely be gas reservoirs up-hole in the Wolfcamp or the Abo formations on 320 and 160 acre spacing respectively.

The well location is to be only 490 feet from the center line of the E/2 of Section 21 and will be non-standard for both 160 and 320 acre gas pools in the southeast since it is less than 660 feet from the boundary of the quarter section in which it is located – per Division Rule 104C.



It is our understanding that Yates has given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A, in all adjoining units towards which the proposed location encroaches and no objections have been received.

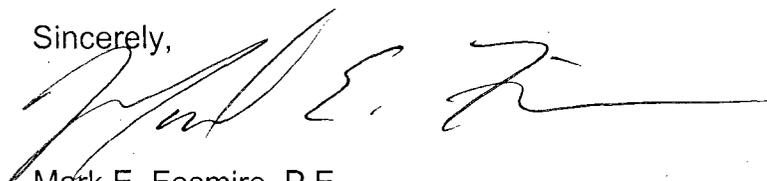
Drilling and producing this well at this location prevent waste and protect correlative rights.

Pursuant to the authority granted under the provisions of Division Rule 104.F, the above-described unorthodox location for all gas producing formations and for gas pools spaced on 320 acres, including but not limited to the (i) Foor Ranch-PrePermian Gas Pool (76730) and the (ii) Foor Ranch-Wolfcamp Gas Pool (76750), and for gas pools spaced on 160 acres, including but not limited to the Pecos Slope Abo Gas Pool (82730) 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 40.

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', written over a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management - Roswell