



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 24, 2008

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

Administrative Order NSL-5465-A

**Re: Yates Petroleum Corporation
Van Zant BJN State Com. Well No. 1
API No. 30-025-38077
Unit B, Section 1-10S-32E
Lea County**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-07843120**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Yates Petroleum Corporation (Yates) on March 18, 2008, and

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

Yates has requested to re-complete the above-referenced well at an unorthodox Atoka gas well location, 660 feet from the North line and 2180 feet from the East line (Unit B) of Section 1, Township 10 South, Range 32 East, N.M.P.M., in Lea County, New Mexico. The E/2 of Section 1 will be dedicated to this well in order to form a standard 320-acre wildcat Atoka gas spacing unit. This location is governed by statewide Rule 104.B(2), which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the eastern unit boundary.

Your application 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 in order to utilize an existing wellbore that was drilled to the Morrow formation pursuant to Administrative Order NSL-5465.



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 104.F(2), 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 40.

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

Sincerely,



 Mark E. Fesmire, P.E.
Director

MEF/db

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