

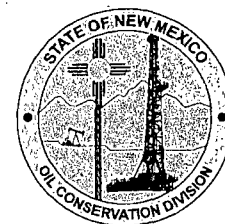


# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Joanna Prukop**  
Cabinet Secretary  
**Reese Fullerton**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



August 20, 2008

Yates Petroleum Corporation  
Attn: Mr. W. Lucky Briggs  
105 South Fourth Street  
Artesia, NM 88210

**Administrative Order NSL-5894**

**Re: Eureka UK State Well No. 2**  
**API No. 30-005-**  
**2300 feet FSL and 300 feet FEL**  
**Unit I, Section 20-10S-26E**  
**Chaves County**

Dear Mr. Briggs:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-19849782**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on July 16, 2008, and

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

Yates Petroleum Corporation (Yates) has requested to drill the above-referenced well at an unorthodox gas well location, described in the caption of this letter. The E/2 of Section 20 will be dedicated to this well in order to form a standard 320-acre, more or less, spacing unit in any pools or formations spaced on 320 acres, including but not limited to the undesignated Foor Ranch-Pre-Permian Gas Pool (76730). The SE/4 of Section 20 will be dedicated to this well in order to form a standard 160-acre, more or less, spacing unit in any pools or formations spaced on 160 acres, including, but not limited to the undesignated Foor Ranch-Wolfcamp Gas Pool (76750) and the Pecos Slope-Abo Gas Pool (82730). This location is unorthodox under the rules applicable to all of the above-named pools, and to any other gas pools governed by statewide Rules 104.C(2) or (3), because the location is less than 660 feet from the northern and eastern boundaries of the SE/4 of Section 20.

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



August 12, 2008

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It is our understanding that you are seeking this location for geologic reasons, in order to be structurally higher in the Siluro-Devonian Dolomite.

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,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', with a stylized, sweeping flourish at the end.

Mark E. Fesmire, P.E.  
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia  
New Mexico State Land Office - Santa Fe  
United States Bureau of Land Management - Roswell