



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



September 9, 2008

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

Administrative Order NSL-5923

Re: Yates Petroleum Corporation
Reba State Unit Well No. 5
API No. 30-025-31243
2300 feet FSL and 1650 feet FWL
Unit K, Section 32-11S-35E
Lea County, New Mexico

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-24253901**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Yates Petroleum Corporation (Yates) on August 29, 2008, and

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

Yates has requested to re-complete its Reba State Unit Well No. 5 (formerly Kerr-McGee's State 32 Well No.1) at an unorthodox Atoka gas well location, described above in the caption of this letter. The S/2 of Section 32 will be dedicated to this well in order to form a standard 320-acre, more or less, wildcat spacing unit in the Atoka formation. This location is governed by statewide Rule 104.C(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 northern unit boundary.

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



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It is our understanding that you are seeking this location in order to utilize an existing wellbore that was originally drilled to test a deeper formation.

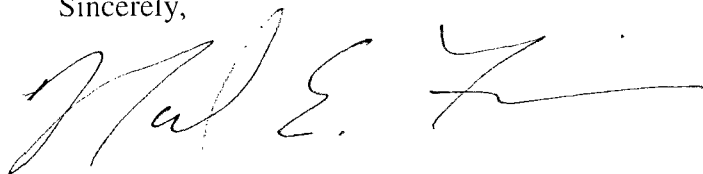
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

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 black ink, appearing to read 'Mark E. Fesmire', followed by a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

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