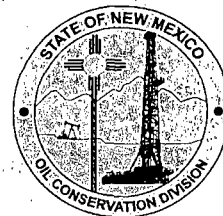


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



March 11, 2009

Mr. William F. Carr
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSP-1929

Re: Yates Petroleum Corporation
Osage Fee Well No. 1
API No. 30-015-36074
S/2 of Section 30 and all of
Irregular Section 31-26S-24E
Eddy County, New Mexico

Dear Mr. Carr:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-04350678**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 12, 2009, on behalf of Yates Petroleum Corporation (Yates); and

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

Yates has requested approval of a non-standard 423.96-acre gas spacing unit, consisting of the S/2 of Section 30 and all of Irregular Section 31, Township 26 South, Range 24 East, NMPM, in Eddy County, New Mexico, in all pools and formations now or hereafter spaced on 320 acres. This unit is not included in any existing deep gas pool. Accordingly spacing in all deep gas formations, including but not necessarily limited to the Strawn, Atoka, Morrow, Barnett Shale, Mississippian Lime and Devonian is governed by statewide Rule 15.10.B, which provides for 320-acre units for wildcat deep gas wells.

The proposed non-standard gas spacing unit will be dedicated to Yates' Osage Fee Well No. 1 (API No. 30-015-36074) to be located 760 feet from the South line and 660 feet from the West line (Unit M) of Section 30, Township 26 South, Range 24 East, NMPM in Eddy County, New Mexico.



March 11, 2009

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Your application on behalf of Yates has been duly filed under the provisions of Division Rules 15.11.B(2) and 4.12.A(3).

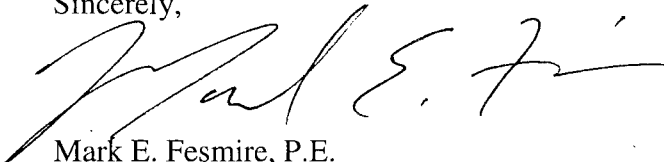
We understand that you are seeking establishment of this non-standard unit due to irregularities in the official surveys, and specifically due to the small size of Irregular Section 31, which contains only 94.64 acres, and would otherwise not be entitled to a well in pools or formations spaced on 320 acres.

No tract in the S/2 of Section 30 or in Section 31 is excluded from the proposed unit. All working interests owners in the proposed unit have committed their interests to the proposed well. Accordingly no notice of this application is necessary.

Pursuant to the authority granted me under the provisions of Rule 15.11.B(2), the above-described non-standard 423.96-acre gas spacing unit is hereby approved.

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 - Artesia