



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



April 25, 2011

Mr. Brian Wood
Permits West, Inc.
37 Verano Loop
Santa Fe, NM 87508

Administrative Order NSL- 6368

**Re: Yates Petroleum Corporation
Herradura Unit Well No. 1
API No. 30-015-37932
330 feet FNL & 760 feet FEL
Unit A, Section 16-24S-35E
Eddy County, New Mexico**

Dear Mr. Wood:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-09428608**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of **Yates Petroleum Corporation (Yates)** [OGRID 25575], on March 30, 2011, and

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

Yates has requested authorization to compete the above-referenced well as a gas well in the Avalon, Bone Spring, Wolfcamp, Strawn or Morrow formations, at an unorthodox location, as described above in the caption of this letter. The NE/4 of Section 16 will be dedicated to this well in the event of completion in the Avalon or Bone Spring in order to form a standard 160-acre wildcat gas spacing unit. The N/2 of Section 16 will be dedicated to this well in the event of completion in the Wolfcamp, Strawn or Morrow in order to form a standard 320-acre wildcat gas spacing unit. Wildcat gas well locations in these pools are governed by statewide Rule 15.10 [19.15.15.10 NMAC], which provides for 160-acre gas spacing units in formations newer than

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the Wolfcamp and 320-acre gas spacing units in the Wolfcamp and older formations. The same rule provides that gas wells in 160-acre or 320-acre units shall be located at least 660 feet from a unit outer boundary or quarter section line. This location is less than 660 feet from the northern unit boundary.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location in order to utilize an existing wellbore.

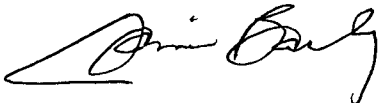
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.13.B NMAC], 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 5.9 [19.15.5.9 NMAC].

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 'Jami Bailey', with a stylized, cursive script.

Jami Bailey
Director

JB/db

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