

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



June 19, 2008

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

Administrative Order NSL-5856

Re: Paladin Energy Corporation
Howard Fleet Well No. 5
API No. 30-025-30855
2250 FSL and 600 FEL
Unit I, Section 35-13S-37E
Lea County

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS08-14437903**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Paladin Energy Corporation (Paladin) on May 22, 2008, and

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

Paladin has requested to re-complete the above-referenced well as a deviated well from the surface location described in the caption of this letter, to an unorthodox bottom hole location in the Devonian formation, 2364 feet from the South line and 473 feet from the East line (Unit I) of Section 35, Township 13 South, Range 37 East, in Lea County, New Mexico. The NE/4 SE/4 of Section 35 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the King-Devonian Pool (35910). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern 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 because, in the process of deepening this well to re-complete in the Devonian formation, it was inadvertently deviated, and the actual bottom hole location is more than 50 feet from the projected location.

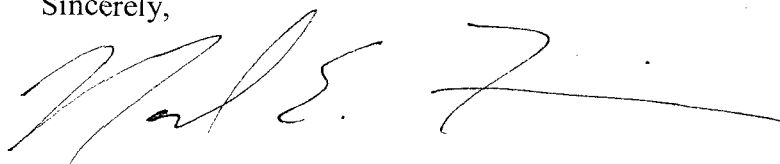
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed bottom-hole location encroaches.

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 long horizontal flourish.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs