

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 1, 2010

Ms. Ocean Munds-Dry
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87505

Administrative Order NSL-6225

**Re: Yates Petroleum Corporation
Cash BNG State Com. Well No. 3
API No. 30-025-36748
1400 feet FSL & 1605 feet FWL
Unit K, Section 18-10S-34E
Lea County, New Mexico**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-18057946**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Yates Petroleum Corporation [OGRID 25575] (Yates), on June 29, 2010, and

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

Yates has requested location approval to re-complete the above-referenced well at an unorthodox well location, as described above in the caption of this letter, in either the Upper Penn (Vada-Upper Penn Pool [62459]), the Abo (undesignated Lane-Abo Pool [36671]) or the Wolfcamp (wildcat Wolfcamp).

The SW/4 of Section 18 will be dedicated to this well in order to form a standard 160-acre spacing and proration unit in the Vada-Upper Penn Pool. This pool is governed by the Special Rules and Regulations for the Vada-Pennsylvanian Pool, adopted by Order R-3179-A issued in Case No. 3513 on October 4, 1967, which provide for 160-acre units, with wells located within 150 feet of the center of a quarter-quarter section. This location is not within 150 feet of the center of any quarter-quarter section; however the encroachment is internal to the unit.



In the event of a completion in the Abo or Wolfcamp, the NE/4 SW/4 of Section 18 will be dedicated to this well to form a standard 40-acre spacing and proration unit. The applicable spacing rule is statewide Rule 15.9, which provides for 40-acre units with wells to be located at least 330 feet from a unit boundary. This location is less than 330 feet from the southern and western boundaries of the NE/4 SW/4.

Your application on behalf of Yates has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

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

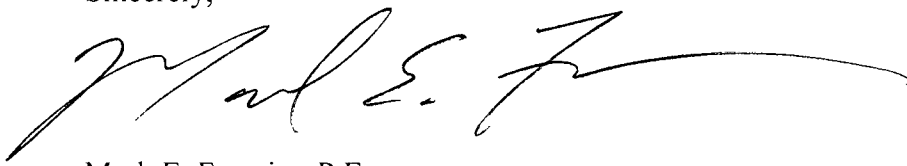
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, 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.

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', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

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