



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 18, 1999

**OGS Operating Company, Inc.
550 West Texas - Suite 1140
Midland, Texas 79701
Attention: Thom O'Brien, President**

Telefax No. (915) 682-6373

Administrative Order NSL-4369

Dear Mr. O'Brien:

Reference is made to the following: (i) your application dated September 23, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning OGS Operating Company, Inc.'s ("OGS") request for an exception to Rule 2(b) of the *General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the Bluit-San Andres Associated Pool*, as promulgated by Division Order No. R-5353, as amended, for a non-standard Bluit-San Andres gas well location within a standard 320-acre stand-up gas spacing and proration unit for the Bluit-San Andres Associated Pool comprising the E/2 of Section 16, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico.

The subject application has been duly filed under the provisions of Division Rule 104.F and the applicable provisions of the rules governing the Bluit-San Andres Associated Pool.

It is our understanding that the subject well for this application was recently drilled to a depth of 4,799 feet in order to test the lower San Andres oil producing interval; however, this deeper zone was not commercially oil productive and was completed in a shallower gas producing interval of the Bluit-San Andres Associated Pool. Pursuant to Rule 2(b) of these special pool rules this location, which was standard for an oil well is considered to be unorthodox for a gas well.

By the authority granted me under the provisions of: (i) Rule 2(c) of these

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special pool rules; and (ii) Division Rule 104.F(2), the unorthodox gas well location of OGS's existing Bluitt "16" State Well No. 1 (API No. 30-041-20885), located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 16 is hereby approved.

Further, the above-described well and 320-acre gas spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Associated Oil and Gas Pools and to the Bluitt-San Andres Associated Pool.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrotenbery, Director".

Lori Wrotenbery
Director

LW/MES/kv

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