



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 1, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Petrohawk Operating Company
c/o **Holland & Hart LLP**
Attention: **Ms. Ocean Munds-Dry**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Administrative Order NSL-2873-C (SD)

(Administrative Reinstatement in Part of Division Administrative Order NSL-2873-A)

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your application on behalf of the operator, Petrohawk Operating Company ("Petrohawk") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 23, 2006 (**administrative application reference No. pTDS0-618440964**); (ii) your e-mail to Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on Wednesday afternoon, July 26, 2006 checking on the status of this, and other Petrohawk applications; (iii) Mr. Stogner's e-mail on Thursday, July 27, 2006 with a question about your application; (iv) your reply by e-mail on Monday, July 31, 2006 with the necessary information to complete this application; and (v) the Division's records in Santa Fe, including the files in Division Case No. 9775 and on Division Administrative Orders NSL-2873, NSL-2873-A, and NSL-2873-B (SD): all concerning Petrohawk's request to reinstate the provisions of Division Administrative Order NSL-2873-A for the State "A" A/C-3 Well No. 6 (**API No. 30-025-09302**) as an unorthodox Jalmat infill gas well location under Rule 3 (A) (2) of the "*Special Pool Rules for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, within a non-standard 320-acre gas spacing unit comprising the E/2 of Section 10, Township 23 South, Range 36 East, NMPM, Jalmat Gas Pool (**79240**), Lea County, New Mexico.

Your application for Petrohawk has been duly filed under the provisions of the "*Special Pool Rules for the Jalmat Gas Pool*."

This 320-acre Jalmat gas spacing unit was initially established by Division Order No. R-9073, dated December 14, 1989 [see Ordering Paragraph No. (9) of Exhibit "A"] and had dedicated thereon the following two wells:

- (1) State "A" A/C-3 Com. "A" Well No. 1 (**API No. 30-025-09299**), located at a standard gas well location 990 feet from the North and East lines (Unit A) of Section 10; and

- (2) State "A" A/C-3 Com. "A" Well No. 2 (**API No. 30-025-09289**), located at a standard gas well location 1650 feet from the South line and 990 feet from the East line (Unit I) of Section 10.

By Division Administrative Order NSL-2873, dated September 25, 1990, another well for this unit, the State "A" A/C-3 Com. "A" Well No. 8 (**API No. 30-025-20245**), located at a location considered to be unorthodox at the time but is now considered "standard" under the current rules and regulations governing the Jalmat Gas Pool, 660 feet from the South and East lines (Unit P) of Section 10 was approved.

By Administrative Order NSL-2873-A, dated January 18, 1991, the Division authorized the following three described wells to included within this 320-acre unit all located at unorthodox infill Jalmat gas well locations:

- (1) State "A" A/C-3 Com. "A" Well No. 4 (**API No. 30-025-09300**), located 660 feet from the North line and 2310 feet from the East line (Unit B) of Section 10;
- (2) State "A" A/C-3 Com. "A" Well No. 5 (**API No. 30-025-09303**), located 1980 feet from the North line and 2310 feet from the East line (Unit G) of Section 10; and
- (3) the subject State "A" A/C-3 Well No. 6, located 1980 feet from the South line and 2310 feet from the East line (Unit J) of Section 10, was plugged and abandoned in 1994 and was to be re-entered and recompleted as a Jalmat infill gas well.

The Division's most recent action within this 320-acre unit was by Administrative Order NSL-2873-B (SD), dated July 24, 2000, which: (i) authorized the State "A" A/C-3 Well No. 14 (**API No. 30-025-34682**), located in the SW/4 SE/4 (Unit O) of Section 10 at a location considered to be unorthodox at the time but is now considered "standard" under the current rules and regulations governing the Jalmat Gas Pool, 660 feet from the South line and 1980 feet from the East line (Unit O) of Section to be included within this unit; and (ii) the omission from this unit of the subject State "A" A/C-3 Well No. 6 as being inactive since the planned reentry and recompletion had not been performed.

At this time Petrohawk intends to re-enter the State "A" A/C-3 Well No. 6 and attempt a recompletion in the Jalmat interval as a gas well.

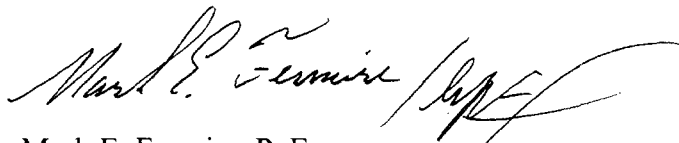
By the authority granted me under the provisions of Rules 4 (A), (B), and (D) of the special rules governing the Jalmat Gas Pool, the provisions Division Administrative Order NSL-2873-A is hereby reinstated as to the above-described unorthodox Jalmat infill gas well location for the re-entry by Petrohawk into the State "A" A/C-3 Well No. 6.

Further, Petrohawk is authorized to simultaneously dedicate Jalmat gas production from the seven above-described State "A" A/C-3 Wells No. 6 and 14 and State "A" A/C-3 Com. "A" Wells No. 1, 2, 4, 5, and 8.

All provisions applicable to the existing 320-acre non-standard Jalmat gas spacing unit in Ordering Paragraph No. (9) of Exhibit "A" in Division Order No. R-9073 and in Division Administrative Orders NSL-2873, NSL-2873-A, and NSL-2873-B (SD) not in conflict with this order shall remain in full force and affect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
File: Division Case No. 9775
Division Administrative Order NSL-2873
Division Administrative Order NSL-2873-A
Division Administrative Order NSL-2873-B (SD)
