



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 14, 2006

Petrohawk Operating Company

c/o **Holland & Hart LLP**

Attention: Ms. Ocean Munds-Dry (omundsdry@hollandhart.com)

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

AMENDED Administrative Order NSP-1862 (SD)

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your original application filed on behalf of the operator, Petrohawk Operating Company ("Petrohawk"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 22, 2006 (*administrative application reference No. pTDS0-617438230*); (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Staff Engineer in Santa Fe, denying this application, wrongfully so as it turns out; (iii) your re-submittal of this application on August 10, 2006; and (iv) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSL-2727, NSL-2729, NSL-2731, NSL-4371 (SD), SD-01-09, and NSP-1862 (SD), and Division Cases No. 9775 (which resulted in the issuance of Division Orders No. R-9073 and R-9073-B) and No. 12623 (which resulted in the issuance of Division Order No. R-11591): all concerning Petrohawk's plans for the continued development of the Jalmat Gas Pool (**79240**) within the existing non-standard 480-acre gas spacing unit comprising the S/2 NE/4 and N/2 SE/4 of Section 9 and the W/2 of Section 10, both in Township 23 South, Range 36 East, NMPM, Lea County, New Mexico.

Your application has been duly filed under the provisions 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.

Division Administrative Order NSP-1862 (SD), dated January 8, 2003, established the subject 480-acre unit for the following nine wells, all at locations considered to be standard for this 480-acre non-standard unit pursuant to Rule 3 (A) (2) of the special rules currently governing the Jalmat Gas Pool.

- (1) State "A" A/C-1 Well No. 37 (**API No. 30-025-09290**), located 1650 feet from the North and West lines (Unit F) of Section 10, which well was the subject of Division Orders No. R-9073 and R-9073-B;
- (2) State "A" A/C-1 Well No. 38 (**API No. 30-025-09291**), located 990 feet from the South and West lines (Unit M) of Section 10, which well was also the subject of Division Orders No. R-9073 and R-9073-B;

- (3) State "A" A/C-1 Well No. 49 (**API No. 30-025-09292**), located 660 feet from the North and West lines (Unit D) of Section 10, which well was the subject of Division Administrative Order NSL-2729, dated December 7, 1989, as amended by order dated July 22, 1991;
- (4) State "A" A/C-1 Well No. 55 (**API No. 30-025-09293**), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 10;
- (5) the plugged and abandoned Clayton W. Williams, Jr., Inc. State "A" A/C-1 Well No. 56 (**API No. 30-025-09294**), located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 10;
- (6) State "A" A/C-1 Well No. 81 (**API No. 30-025-09295**), located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 10, which well was the subject of Division Administrative Order NSL-4371, dated October 25, 1999;
- (7) State "A" A/C-1 Well No. 88 (**API No. 30-025-09297**), located 1980 feet from the South and West lines (Unit K) of Section 10, which well was the subject of Division Administrative Order NSL-2727, dated December 7, 1989, as amended by order dated July 22, 1991;
- (8) State "A" A/C-1 Well No. 89 (**API No. 30-025-09298**), located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 10, which well was the subject of Division Administrative Order NSL-2731, dated December 7, 1989, as amended by order dated July 22, 1991; and
- (9) State "A" A/C-1 Well No. 131 (**API No. 30-025-35556**), located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 9, which well was also the subject of Division Order No. R-11591).

It is the Division's understanding that Petrohawk as the operator of this 480-acre Jalmat gas spacing unit intends to replace its above-described State "A" A/C-1 Well No. 37 (**API No. 30-025-09290**) in Unit "F" of Section 10 with its State "A" A/C-1 Well No. 86 (**API No. 30-025-09296**), located at a standard Jalmat gas well location 1980 feet from the North and West lines of Section 10. The No. 86 well was drilled in March 20, 1960 by Texas Pacific Coal & Oil of Fort Worth, Texas and completed in the Langlie-Mattix (Seven Rivers-Queen-Grayburg) Pool (**37240**) at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the SE/4 NW/4 of Section 10. This well has been TA'ed (temporarily abandoned) since 1968.

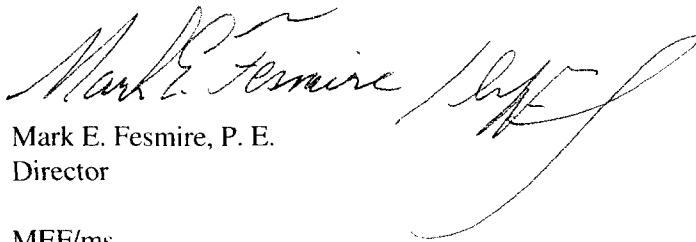
Once Jalmat gas production is established in the State "A" A/C-1 Well No. 86, Petrohawk shall cease producing from the Jalmat Gas Pool from the State "A" A/C-1 Well No. 37 and abandon this interval.

Further, by the authority granted me under the provisions of Rules 4 (B) and (D) of the special rules governing the Jalmat Gas Pool, Petrohawk shall at that time be authorized to simultaneously dedicate Jalmat gas production to the aforementioned 480-acre non-standard gas spacing unit from the nine above-described State "A" A/C-1 Wells No. 38, 49, 55, 56, 81, 86, 88, 89, and 131.

All provisions applicable to the subject 480-acre non-standard Jalmat gas spacing unit in Division Administrative Order NSP-1862 (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: NSL-2727
NSL-2729
NSL-2731
NSL-4371 (SD)
SD-01-09
NSP-1862 (SD)