



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

November 29, 2006

Wagner & Brown, Ltd.  
P.O. Box 1714  
Midland, Texas 79702

Attention: Mr. Billy W. Harris

Re: **State "18" Com Well No. 1**  
**API No. (N/A)**  
**2400' FNL & 1980' FWL, Unit F,**  
**Section 18, T-4 South, R-27 East, NMPM,**  
**Chaves County, New Mexico**

*Administrative Order NSL-5511*

Dear Mr. Harris:

Reference is made to the following:

- (a) Wagner & Brown, Ltd.'s ("applicant") application for a non-standard well location (*administrative application reference No. pTDS0631935696*) for the State "18" Com Well No. 1 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on November 13, 2006; and
- (b) the Division's records pertinent to your request.

The applicant requests approval of an unorthodox gas well location for its proposed State "18" Com Well No. 1 in the **Undesignated Newmill-Pennsylvanian Gas Pool** and the **Wildcat-Montoya Gas Pool**, which is to be drilled at an unorthodox gas well location 2400 feet from the North line and 1980 feet from the West line (Unit F) of Section 18, Township 4 South, Range 27 East, NMPM, Chaves County, New Mexico. The well is to be dedicated as follows:

If the subject well is completed in the Pennsylvanian formation, and the Division determines that the well is in the Newmill-Pennsylvanian Gas Pool, the NW/4 of Section 18 shall be dedicated to the well forming a standard 160-acre gas spacing and proration unit for that pool.

If the subject well is completed in the Pennsylvanian formation, and the Division determines that the well should be placed within a new Pennsylvanian gas pool spaced on 320 acres, the W/2 of Section 18 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

If the subject well is completed in the Montoya formation, or a formation older than Pennsylvanian age, the W/2 of Section 18 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for that new gas pool.

The Newmill-Pennsylvanian Gas Pool is currently spaced on 160 acres pursuant to Division rules. Wells within this pool are required to be located no closer than 660 feet to the outer boundary of the quarter section, nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

The Wildcat-Pennsylvanian and Wildcat-Montoya Gas Pools are currently governed by Division Rule 19.15.3.104(C).

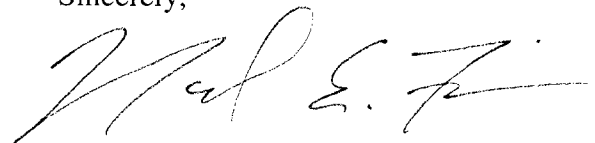
Division records show that the State "18" Com Well No. 1 will be the only well producing from the Pennsylvanian and/or Montoya formation(s) within the NW/4 or W/2 of Section 18.

The applicant has presented geologic evidence to demonstrate that the proposed unorthodox gas well location is necessary in order to encounter a thicker pay sand section within the Pennsylvanian formation, thereby increasing the likelihood of obtaining commercial gas production.

The applicant has provided notice of this application to all offset operators and/or interest owners that may be affected by this application. All potentially affected interest owners have signed a waiver of objection to the proposed unorthodox gas well location.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the **Undesignated Newmill-Pennsylvanian Gas Pool, Wildcat-Pennsylvanian Gas Pool** and the **Wildcat-Montoya Gas Pool**, is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.  
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division - Artesia