



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 10, 2007

Westerly Exploration, Inc.

Attn: Mr. Larry Gillette

P.O. Box 2359

Midland, TX 79702

Administrative Order NSL-5422-A

Re: Romero Federal 34 Well No. 1

API No. 30-043-21019

Unit M, Section 34-23N-1W

Sandoval County

Dear Mr Romero:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-26040587**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 14, 2007, and

(b) the Division's records pertinent to this request, including the Division's records pertaining to Administrative Order NSL-5422.

Westerly Exploration, Inc. (Westerly) has requested to produce the above-referenced well, which it has completed as a directional well from a surface location 405 feet from the South line and 1255 feet from the West line (Unit M) of Section 34, Township 23 North, Range 1 West, N.M.P.M., in Sandoval County, New Mexico, to an unorthodox bottom hole location in the Gallup formation, 495 feet from the South line and 1488 feet from the West line (Unit N) of said section. The SE/4 SW/4 of Section 34 will be dedicated to this well in order to form a standard 40-acre wildcat Gallup oil spacing unit. This location is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

This well was originally permitted as a vertical well to be completed in the Mancos formation in the SW/4 SW/4 of Section 34. The originally proposed unorthodox Mancos oil well location was approved in Order NSL-5422, issued on July 12, 2006.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because the well was inadvertently deviated into the SE/4 SW/4 of Section 34, and because the attempted completion in the Mancos was unsuccessful.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because Westerly owns 100% of the working interest in both the SE/4 SW/4 and the SW/4 SW/4 of Section 34.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington