



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 31, 2002

Xeric Oil & Gas Corporation
P. O. Box 352
Midland, Texas 79702
Attention: Glenda Hunt

Telefax No. (915) 683-6348

Administrative Order NSL-4741

Dear Ms. Hunt:

Reference is made to the following: (i) your application dated May 22, 2002 that was submitted to the New Mexico Oil Conservation Division ("Division") on May 29, 2002 (*application reference No. pKRV0-215037097*); (ii) the two telefaxed transmitted letters with attachments to Mr. Michael E. Stogner, Division Engineer/Hearing Officer in Santa Fe from Ms. Lisa Morriss, Landman with Xeric Oil & Gas Corporation ("Xeric") in Midland of May 10 and 15, 2002; (iii) several telephone conversations between Mr. Stogner and Ms. Morriss in May, 2002; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Xeric's request for an unorthodox oil well location in the Blinebry formation, Undesignated Nadine-Tubb Pool (47525), and Undesignated Nadine-Drinkard Abo Pool (47510) for its proposed Herradura Well No. 3 to be drilled 1502 feet from the South line and 864 feet from the East line (Unit I) of Section 15, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico.

The NE/4 SE/4 (Unit I) of Section 15 being a standard 40-acre oil spacing and proration unit for all three producing intervals is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that the entire SE/4 of Section 15 is a single fee lease (Herradura) with common ownership throughout in which Xeric is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within these three intervals.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location within the proposed 40-acre unit comprising the NE/4 SE/4 (Unit I) of Section 15 for Xeric's proposed Herradura Well No. 3 in the Blinebry formation and the Undesignated Nadine-Tubb and Undesignated Nadine-Drinkard Abo Pools is hereby approved.

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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 "Lori Wrotenbery", followed by a large, sweeping flourish that extends to the right.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs