



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

April 6, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Fasken Oil and Ranch, Ltd.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-5041

Dear Mr. Kellahin:

Reference is made to the following: (i) your application for an unorthodox oil well location (*administrative application reference No. pMES0-407839464*) submitted to the New Mexico Oil Conservation Division ("Division") on March 16, 2004 on behalf of the operator, Fasken Oil and Ranch, Ltd. ("Fasken"); and (ii) the Division's records in Santa Fe: all concerning Fasken's request for an exception to Rule 4 of the "*Special Rules and Regulations for the North Vacuum-Lower Wolfcamp Pool*," as promulgated by Division Order No. R-3206, as amended, for its existing Buckeye "1" State Well No. 1 (API No. 30-025-36333), which well was recently drilled to test the lower Pennsylvanian underlying a standard 320.93-acre stand-up gas spacing unit within the Undesignated North Vacuum-Atoka Morrow Gas Pool (86800) comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, at a standard deep gas well location, pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, 820 feet from the North line and 1310 feet from the West line (Lot Unit A) of Section 8.

This application has been duly filed under the provisions of: (i) Rule 5 of the "*Special Rules and Regulations for the North Vacuum-Lower Wolfcamp Pool*"; (ii) Division Rule 104.F, as revised; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

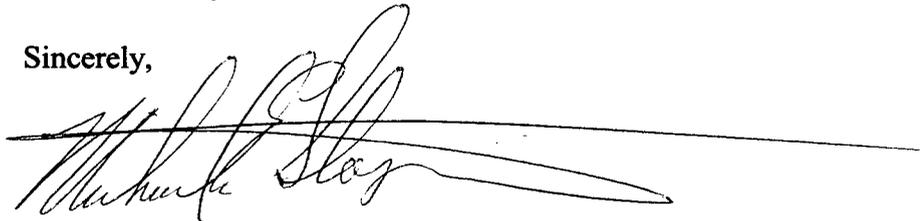
After reviewing your application and the Division's records, it is our understanding Fasken permitted this well only as a deep Atoka/Morrow test within the aforementioned 320.93-acre deep gas spacing unit; the well was spud on August 25, 2003, drilled to a total depth of 12,600 feet, and completed in the Undesignated North Vacuum-Atoka Morrow Gas Pool. However, the Atoka/Morrow completion has been deemed "non-commercial" and that it is Fasken's intent to plug-back and test the Undesignated North Vacuum-Lower Wolfcamp (62380) at 10,578 feet and 10,637 feet within a standard 80.93-acre lay-down oil spacing and proration unit comprising Lots 3 and 4 (N/2 NW/4 equivalent) of Section 1.

By the authority granted me under the applicable provisions of the special pool rules governing the North Vacuum-Lower Wolfcamp Pool and Division Rule 104.F (2), as revised, the above-described unorthodox lower-Wolfcamp oil well location is hereby approved.

PLEASE NOTE HOWEVER THAT IN THE FUTURE, Fasken, as a prudent operator, should take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations.

Jurisdiction of this cause 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 "Michael E. Stogner", is written over a horizontal line. The signature is stylized and cursive.

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe