



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 10, 2004

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

HEC Petroleum, Inc.
3104 No. Sullivan Avenue
Farmington, New Mexico 87401

Telefax No. (505) 564-8656

Attention: Mike Pippin
mpippin@ddroadband.net

Administrative Order NSL-5071

Dear Mr. Pippin:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on May 20, 2004 (*administrative application reference No. pMES0-414950681*); (ii) my initial response by e-mail and telefax on May 21, 2004; (iii) your response by letter dated May 26, 2004 with minimal, but sufficient, information to complete this application; and (iv) the records of the Division in Aztec and Santa Fe, including Mr. Steve Hayden's well-site visit prior to your filing of this application: all concerning HEC Petroleum, Inc.'s ("HEC") request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard infill gas well location within an existing standard 320-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629) comprising the S/2 of Section 25, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico.

This application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*"; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; 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.

This unit is currently dedicated to HEC's B. Montoya "25" Well No. 2 (API No. 30-045-28674), located at a standard coal gas well location 1625 feet from the South line and 2210 feet from the West line (Unit K) of Section 25

It is the Division's understanding that HEC desires to drill this infill coal gas well at the proposed unorthodox location primarily for geologic and drainage reasons; moreover, topographic conditions further restrict placement of the subject well within the eastern portion of the SE/4 of section 25.

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the following described well to be drilled as an unorthodox infill coal gas well on this 320-acre gas spacing unit is hereby approved:

Montoya "25" Well No. 3
660' FSL & 180' FEL (Unit P)
(API No. 30-045-32341).

Further, HEC is hereby authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from its existing B. Montoya "25" Well No. 2 with the proposed Montoya "25" Well No. 3.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division – Aztec