



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 22, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Zia Energy, Inc.
2203 Timberloch Place, Suite 229
The Woodlands, Texas 77380

Attention: Don Dotson
ddotson@plantationpetro.com

Administrative Order NSL-5084 (SD)

Dear Mr. Dotson:

Reference is made to the following: (i) your application dated July 21, 2004 (*administrative application reference No. pMES0-420451860*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Zia Energy, Inc.'s ("Zia") request for an unorthodox infill oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 SE/4 (Unit O) of Section 5, Township 22 South, Range 37 East, NMPM, Southwest Eunice-San Andres Pool (**24180**), Lea County, New Mexico.

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.

This 40-acre unit is currently dedicated to Zia's Grizzell Well No. 3 (API No. **30-025-27185**) located at a standard oil well location 330 feet from the South line and 1650 feet from the East lines of Section 5.

It is the Division's understanding that the W/2 SW/4 of Section 5 comprises a single fee lease (Grizzell lease) with common mineral interest from the surface to a depth of 7,500 feet in which Zia is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the San Andres interval.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the SW/4 SE/4 of Section 5 is hereby approved:

Grizzell Well No. 4
1140' FSL & 2160' FEL.

Further, both the existing Grizzell Well No. 3 and the proposed Grizzell Well No. 4 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division – Hobbs