



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

June 21, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Texaco Exploration & Production, Inc.
P. O. Box 3109
Midland, Texas 79702
Attention: A. Phil Ryan, Commission Coordinator

Telefax No. (915) 688-4831

Administrative Order NSL-4473(NSBHL)

Dear Mr. Ryan:

By the New Mexico Oil Conservation Division's ("Division") approval under the provisions Division Rule 111.C (1), dated April 6, 2000, of Texaco Exploration and Production, Inc.'s ("Texaco") Forms C-101 [*Application for Permit to Drill, Reenter, Deepen, Plug Back, or Add a Zone* ("APD")], with attachments, and C-102 (*Well Location and Acreage Dedication Plat*), dated March 20, 2000, Texaco was granted authority to recomplete its New Mexico "DF" State Com. Well No. 3 (API No. 30-015-29284), located at a standard gas well location 2000 feet from the North line and 1650 feet from the East line (Unit G) of Section 32, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, by plugging the existing (vertical) completion interval back to a depth of 6,854 feet, cut a window in the production casing at a depth of 6,839 feet, kick-off from vertical in a north-northwesterly direction with a short radius curve, built angle to approximately 72.51 degrees, and continue drilling at this high angle a lateral distance of approximately 394 feet to a targeted bottomhole location, at an approximate measured depth of 7,309 feet within the Indian Basin-Upper Pennsylvanian Gas Pool, at a point located 1672 feet from the North line and 1879 feet from the East line of Section 32. The "project area" for this well is to consist of the existing standard 640-acre gas spacing and proration unit comprising all of Section 32.

Pursuant to Division Rule 111.A (7) and Rule 2 (B) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, the producing area/drilling window within the Indian Basin-Upper Pennsylvanian Gas Pool for this well within this 640-acre unit included that is no closer than the normal set-back requirement of 1650 feet to the outer boundary of the proration unit.

Reference is now made to the following: (i) your letter of application with attachments telefaxed to the Division on May 9, 2000; and (ii) the Division's records in Santa Fe: for an exception to Rule 2 (B) of the Indian Basin-Upper Pennsylvanian Gas Pool's special rules.

This request for amendment to the assigned producing area for the New Mexico "DF" State Com. Well No. 3 has been duly filed under the provisions of Division Rules 104.F and 111.C (2) and

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Rule 2 (d) of the special Indian Basin-Upper Pennsylvanian Gas Pool rules.

It is our understanding that prior to directional drilling operations, the kick-off point of this wellbore at 6,839 feet was found to be 1920 feet from the North line and 1630 feet from the East line of Section 32, which is outside of the assigned project area.

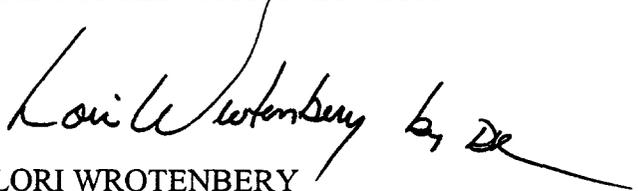
By authority granted me under the provisions of Rule 2 (d) of the Indian Basin-Upper Pennsylvanian Gas Pool special rules and Division Rule 104.F (2), the applicable drilling window or producing area within the Indian Basin-Upper Pennsylvanian Gas Pool for this wellbore shall include that area within the subject 640-acre unit comprising all of Section 32 that is:

- (a) no closer than the normal set-back requirement of 1650 feet to the eastern, southern and western boundaries of the subject 640-acre tract; and
- (b) no closer than 1620 feet to the North line of Section 32.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

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