



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 21, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

**BTA Oil Producers
104 South Pecos
Midland, Texas 79701**

Attention: Pam Inskeep
Pinskeep@btaoil.com

Administrative Order NSL-5112 (SD)

Dear Mr. Inskeep:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-425845788*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on September 14, 2004; (ii) the Division's initial response from Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe by e-mail on Friday, September 17, 2004; (iii) your telephone conversation with Mr. Stogner on Monday, September 20, 2004; (iv) your reply letter dated September 20, 2004 with attachment; and (v) the Division's records, including the files in Division Cases 9883 and 10177: all concerning BTA Oil Producer's ("BTA") request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NE/4 SW/4 (Unit K) of Section 11, Township 23 South, Range 28 East, NMPM, East Loving-Brushy Canyon Pool (40350), Eddy 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 simultaneously dedicated to BTA's: (i) Pardue "B" 8808 JV-P Well No. 1 (API No. 30-015-26274) located at a standard oil well location 1711 feet from the South line and 1957 feet from the West line of Section 1; and (ii) Pardue "B" 8808 JV-P Well No. 3 (API No. 30-015-32493) located at a standard infill oil well location 2310 feet from the South line and 1650 feet from the West line of Section 1.

From the Division's records and your application, it is our understanding that the N/2 SW/4 of Section 11 is a single fee lease with common mineral interest in which BTA is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Brushy Canyon interval.

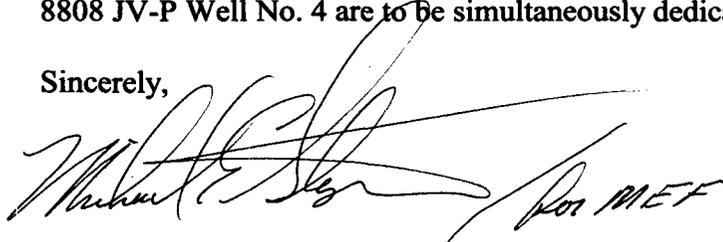
The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox infill location will be at a more favorable geologic position within the "Pardue-Price" sand member of the Upper Brushy Canyon formation of the Delaware Mountain Group than a well drilled at a location considered to be standard for the East Loving-Brushy Canyon Pool within the southern portion of corner of the Pardue "B" 8808 JV-P fee lease (*Division assigned property code No. 2340*). Further, the proposed infill oil well location will enable BTA to develop and deplete the Brushy Canyon reserves within this lease that might not otherwise be recovered.

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 NE/4 SW/4 (Unit K) of Section 11 is hereby approved:

Pardue "B" 8808 JV-P Well No. 4
1650' FSL & 1420' FWL.

Further, the existing Pardue "B" 8808 JV-P Wells No. 1 and 3 and the proposed Pardue "B" 8808 JV-P Well No. 4 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". To the right of the signature, the initials "MEF" are written in a similar style.

Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division – Artesia