



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 26, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Edge Petroleum Operating Company, Inc.
1301 Travis – Suite 2000
Houston, Texas 77002

Attention: James D. Keisling
Vice President, Production
jkeisling@edgepet.com

Administrative Order NSL-5124

Dear Mr. Keisling:

Reference is made to the following: (i) your application dated October 15, 2004 (*administrative application reference No. pMES0-429352820*); (ii) Mr. David Byers two voice mail messages to Mr. Michael E. Stogner, Engineer/Hearing Officer with the New Mexico Oil Conservation Division ("Division") in Santa Fe, on Friday, October 15, 2004; (iii) Mr. Stogner's telephone conversation with Mr. Byers on Tuesday, October 19, 2004; (iv) Mr. Byers e-mail to Mr. Stogner of October 20, 2004; (v) the receipt of supplemental data to support your application on October 25, 2004; and (vi) the records of the New Mexico Oil Conservation Division ("Division") in Artesia and Santa Fe and the New Mexico State Land Office in Santa Fe: all concerning Edge Petroleum Operating Company, Inc.'s ("Edge") request for an exception to Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for the existing Henshaw "7" Federal Well No. 1 (API No. 30-015-32676), recently completed in the upper-Pennsylvanian interval at an unorthodox oil well location 1110 feet from the South line and 1320 feet from the West line (Unit N) of Section 7, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.

The SE/4 SW/4 of Section 7, being a standard 40-acre oil spacing and proration unit for wildcat Cisco/Canyon oil production, is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F.

From the Division's records, it is our understanding that this well was permitted by Cabal Energy Corporation only as a deep Chester gas test within the S/2 equivalent (312.65 acres) of Section 7 unit for the above-described Henshaw "7" Federal Well No. 1 (see the "*Application for Permit to Drill*" dated January 29, 2003) at a standard deep gas well location, pursuant to Division Rule 104.C (2) (a). According to a "*Change of Operator*" dated February 9, 2004 and made effective August 26, 2003, Edge was named the operator of the proposed well. In March/April, 2004, Edge drilled this well to a total depth of 10,960 feet whereby both the Morrow formation and Undesignated High Lonesome-Atoka Gas Pool tested dry; however, the Cisco/Canyon interval from 8,478 feet to 8,488 was deemed a successful oil completion. Pursuant to Division Rule 104.B (1), however, this location is considered to be "unorthodox" for the above-described standard 40-acre oil spacing and proration unit.

It is further understood that the upper-Pennsylvanian interval underlying all of Section 7 is included within a single Federal lease issued by the U. S. Bureau of Land Management (*U. S. Government lease No. NM-7724*) with common mineral interests (working, royalty, and overriding royalty) in which Edge is the leasehold operator; therefore, there are no adversely affected interests to the proposed 40-acre oil spacing and proration unit within the upper-Pennsylvanian interval.

By the authority granted me under Division Rule 104.F (2), the above-described unorthodox upper-Pennsylvanian oil well location is hereby approved.

PLEASE NOTE HOWEVER THAT IN THE FUTURE, Edge, 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,



Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management – Carlsbad
New Mexico State Land Office, Santa Fe – Attention: Mr. Jeff Albers
Mr. David Byers, Edge Petroleum Operating Company, Inc. – Houston, Texas (dbyers@edgepet.com)