



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

November 17, 2004

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

Kaiser-Francis Oil Company
c/o **W. Thomas Kellahin**
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-5133

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Kaiser-Francis Oil Company ("K-F") dated November 12, 2004 (*administrative application reference No. pMES0-432236665*); (ii) your e-mail of Tuesday morning, November 16, 2004, to Mr. Michael E. Stogner, Engineer/Hearing Officer with the New Mexico Oil Conservation Division ("Division") requesting preferential treatment for this application; and (iii) the Division's records in Santa Fe, including the file in Case No. 5684: all concerning K-F's request for exceptions to Division Rule 104.C (2) (a) in the Strawn formation and Division Rule 104.C (2) (b) in the Morrow formation.

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

From your application, it is the Division's understanding that Section 11, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, is slightly irregular comprising 650 acres, more or less, and that K-F proposes to drill its Mesa Grande "11" Well No. 2 at an unorthodox deep gas well location into both the Undesignated Happy Valley-Strawn Gas Pool (78060) and the South Carlsbad-Morrow Gas Pool (73960) 2700 feet from the North line, or 2661 feet from the South line, and 660 feet from the West line (Unit L) of Section 11, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico (being 19 feet south of the north line of the SW/4 of Section 11).

K-F's proposed Mesa Grande "11" Well No. 2 is to be an initial well within the W/2 of Section 11, being a standard 320-acre, more or less, stand-up gas spacing unit in the Undesignated Happy Valley-Strawn Gas Pool.

Gas production from the South Carlsbad-Morrow Gas Pool is to be included within an existing standard 320-acre, more or less, gas spacing unit also comprising the W/2 of Section 11, which is currently dedicated to K-F's Mesa Grande Well No. 1 (API No. 30-015-21815), located in the NW/4 of Section 11 at a standard deep gas well location 1980 feet from the North and West lines (Unit F) of Section 11.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons.

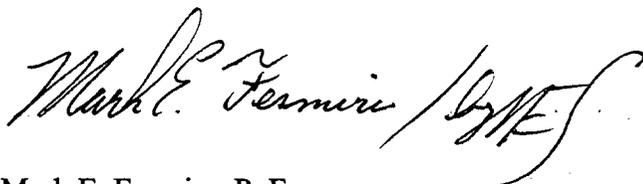
By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep Strawn and Morrow deep gas well location for K-F's proposed Mesa Grande "11" Well No. 2 is hereby approved.

IT IS FURTHER ORDERED THAT:

Any subsequent request by the operator of the above-described Mesa Grande "11" Well No. 2 to amend this administrative order to include any other formation or pool shall be set to hearing and will not be administered administratively.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a stylized flourish or set of initials.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia