



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 29, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Finley Resources, Inc.
1308 Lake Street
Fort Worth, Texas 76102

Attention: James L. Nance
jim.nance@finleyresources.com

Administrative Order NSL-5149 (BHL)

Dear Mr. Nance:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on December 27, 2004 (*administrative application reference No. pMES0-436254756*); (ii) your telephone conversation with Mr. Michael E. Stogner, Hearing Officer/Engineer with the Division in Santa Fe, on Wednesday, December 22, 2004; and (iii) the Division's records in Artesia and Santa Fe: all concerning Finley Resources, Inc.'s ("Finley") request for an exception to the provisions of Division Rule 104.C (2) (a), 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 recompletion of an existing well to an unorthodox deep subsurface Morrow gas well location within an existing standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 9, Township 24 South, Range 24 East, NMPM, Eddy County, New Mexico.

It is the Division's understanding that Finley's Franklin et al Federal Well No. 1 (API No. 30-015-20995) was initially drilled to a total depth of 10,200 feet in 1974 by Gulf Oil Corporation and completed in the Crooked Creek-Morrow Gas Pool (75400) as the discovery well at a location considered to be standard at that time.

Further, Finley now intends to recomplete this well by abandoning its current completion interval, milling a window in the 7-inch production string, kicking off to the northeast, and directional drill to a targeted bottomhole location at 10,400 feet (MD) 882 feet from the South line and 2363 feet from the West line (Unit N) of Section 9. Pursuant to the Division's current "set-back" requirements for deep gas wells in southeast New Mexico, the surface and proposed subsurface location of this well is now considered to be unorthodox.

Under the provisions of Division Rule 111.A (7), the above-described unorthodox subsurface location within the Crooked Creek-Morrow Gas Pool for Finley's Franklin et al Federal Well No. 1 is hereby approved.

Further, Finley shall comply with all provisions of Division Rule 111 applicable in this matter.

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad