



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 20, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Latigo Petroleum, Inc.
415 West Wall – Suite 1900
Midland, Texas 79701

Attention: William F. Chatham, CPL
Sr. Staff Landman
hchatham@latigopetro.com

Administrative Order NSP-1882 (L)

Dear Mr. Chatham:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division (“Division”) on October 4, 2004 (*administrative application reference No. pMES0-428753865*); and (ii) the Division’s records in Hobbs and Santa Fe, including the file in Division Case No. 13387: all concerning Latigo Petroleum, Inc.’s (“Latigo”) request to reinstate a previously approved non-standard 160-acre gas spacing and proration unit (“GPU”) in the Justis (Glorieta) Gas Pool (**76360**) comprising the SW/4 of Section 1, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, and to dedicate this GPU to Latigo’s proposed Hodges “B” Well No. 7 to be drilled at an unorthodox gas well location 1880 feet from the South line and 390 feet from the West line (Unit L) of Section 1.

This application has been duly filed under the provisions of: (i) Division Rules 104.F and 104.D (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 605; and (iii) the “*Special Rules and Regulations for the Justis Gas Pool*,” as promulgated by Division Order No. R-8170, as amended.

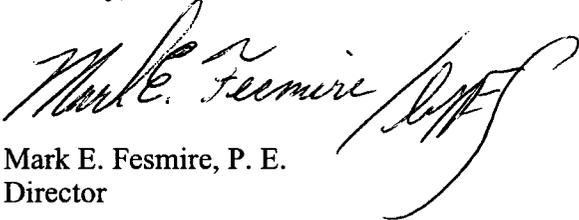
From the Division’s records and from the information provided in your application, it is our understanding that by Division Order No. R-586-C, issued in Case No. 1293 on October 3, 1957, this 160-acre non-standard GPU was “grandfathered” in as approved for Justis (Glorieta) gas production from the Cities Service Oil Company’s Hodges “B” Well No. 1 (**API No. 30-025-11395**) located at a standard gas well location 660 feet from the South and West lines (Unit M) of Section 1. This well was initially completed in the Glorieta formation in the late 1940’s and was subsequently plugged and abandoned in 1975.

By authority granted me under the provisions of Division Rules 605.B (2) (b), 104.F (2), and 104.D (2) and the applicable provisions of the special pool rules governing the Justis (Glorieta) Gas Pool, the: (i) above-described 160-acre non-standard GPU is restored; and (ii) Latigo’s proposed Hodges “B” Well No. 7 to be drilled at the above-described unorthodox gas well location is hereby approved.

Further, Latigo is permitted to produce the allowable assigned this 160-acre GPU from the Hodges "B" Well No. 7 in accordance with Rule 5 of the special rules governing the Justis (Glorieta) Gas Pool and Division Rule 605.D (4) (a).

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division - Hobbs
File: Case No. 13387
Case No. 1293
James Bruce, Legal Counsel for Latigo Petroleum, Inc. – Santa Fe