



NSP-86

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

March 16, 2005

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

Primero Operating, Inc.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

REINSTATEMENT of Division Administrative Order NSP-86 (L)

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Primero Operating, Inc. ("Primero"), dated February 15, 2005 (*administrative application reference No. pSEM0-507533886*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Hobbs and Santa Fe: all concerning Primero's request for exceptions to Rules 2 (A) and 3 (A) (2) of the "*Special Pool Rules for the Eumont Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, and to reinstate a previously approved non-standard 160-acre gas spacing unit in the Eumont Gas Pool (**76480**) comprising the NE/4 of Section 34, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

Your application has been duly filed under the provisions of the "*Special Pool Rules for the Eumont Gas Pool*" and Division Memorandum of Interpretation dated June 8, 2004.

From the Division's public records, it is understood that by Division Administrative Order NSP-86, dated February 2, 1955, this 160-acre non-standard Eumont gas spacing unit was initially established for the Erwin Oil & Gas, Ltd. Company's State WE "G" Well No. 1 (**API No. 30-025-04392**), located at a standard gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 34. This well was subsequently plugged and abandoned in January, 2003.

It is the Division's understanding that Primero now intends to reintroduce Eumont gas production within the NE/4 of Section 34 with the following-described replacement well to be drilled at an unorthodox gas well location:

Monument State Well No. 1
660' FNL & 390' FEL (Unit A).

By the authority granted me under the provisions of Rules 4 (C) and (D) of the special rules now governing the Eumont Gas Pool, the subject 160-acre non-standard Eumont gas spacing unit comprising the NE/4 of Section 34 is hereby restored, and Division Administrative Order NSP-86 is hereby reinstated and the applicable provisions set forth shall be reestablished as to its initial extent and not in conflict with this order.

Primero Operating, Inc.

March 16, 2004

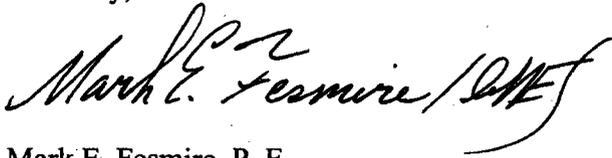
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Further, by the authority granted me under the provisions of Rules 4 (A) and (D) of the special rules governing the Eumont Gas Pool the proposed unorthodox Eumont gas well location for Primero's above-described Monument State Well No. 1 is hereby approved.

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/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
File: NSP-86