



New Mexico Energy, Minerals and Natural Resources Department

Pr

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



June 22, 2011

Primero Operating, Inc.
Attn: Mr. Phelps White
P.O. Box 1433
Roswell, New Mexico 88202-1433

Administrative Order NSL-6403

**Re: Diva Well No. 1
API No. 30-025-40141
2460 feet FNL & 660 feet FEL
Unit H, Section 18-14S-33E
Lea County, New Mexico**

Dear Mr. White:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-17233206**) originally submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on May 11, 2011, and re-submitted on June 20, 2011, and

(b) the Division's records pertinent to this request.

Primero Operating, Inc. (Primero) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The NE/4 of Section 18 will be dedicated to this well in order to form a standard 160-acre oil spacing unit in the Baum Upper Pennsylvanian Pool (4835). Spacing in this pool is governed by the Special Rules and Regulations for the Baum-Upper Pennsylvanian Pool, as adopted by Order R-3368-A, issued on May 29, 1968, which provide for 160-acre units with each well to be located within 150 feet of the center of a quarter-quarter section. This location is more than 150 feet from the center of the SE/4 NE/4 of Section 18.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for geologic reasons.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NAMC].

Jurisdiction of this case 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 "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office