



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

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

Jami Bailey
Division Director
Oil Conservation Division



September 12, 2011

Blue Dolphin Production, LLC
c/o Montgomery & Andrews Law Firm
Attn: Mr. J. Scott Hall, Esq.

Administrative Order NSL-6462
Administrative Application Reference No: pTWG11-22847580

Blue Dolphin Production, LLC
OGRID 226829
Theis Greenhorn Test Well No. 1
API No. 30-039-31012

Proposed Locations

all in projected Section 27, Township 30 North, Range 1 East, Rio Arriba County, New Mexico:

Surface Location	Footages from section line	Unit Letter (Assumed Equivalent)
PP Mancos	1796 FNL & 1469 FEL	G
PPGreenhorn	1796 FNL & 1219 FEL	H
Bottom Hole	1796 FNL & 1069 FEL	H

The proposed oil spacing units:

Description	Acres	Pool
SE/4 NE/4	40	Wildcat Mancos Oil
SE/4 NE/4	40	Wildcat Greenhorn Oil

Reference is made to your application received on August 11, 2011.

You have requested to drill this well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.



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 topographic reasons, in order to accommodate hilly terrain within the Horse Lake Creek drainage.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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 NMAC].

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

Sincerely,



Jami Bailey
Director

JB/wvjj

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington