



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 29, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

HEC Petroleum, Inc.

c/o **Mike Pippin** (mpippin@ddbroadband.net)

3104 N. Sullivan Avenue

Farmington, New Mexico 87401

Administrative Order NSL-5323

Dear Mr. Pippin:

Reference is made to the following: (i) your application dated November 28, 2005 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on December 6, 2005 (***administrative application reference No. pSEM0-534134307***); (ii) the Division's initial response by e-mail on Friday afternoon, December 23, 2005 from Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, New Mexico requesting additional data and comments concerning this application; (iii) your response to Mr. Stogner by letter on December 29, 2005 with the necessary information to complete this application; and (iv) the Division's records in Aztec and Santa Fe: all concerning HEC Petroleum, Inc.'s request for an exception to the well location requirements provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended [Rule 7 (a) (1)], for a non-standard infill gas well location within an existing 320-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (**71629**) comprising the N/2 of Section 25, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico.

Your application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," and (ii) Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This unit is currently dedicated to HEC Petroleum, Inc.'s B. Montoya "25" Well No. 1 (**API No. 30-045-23196**), located at a standard coal gas well location 1850 feet from the North line and 790 feet from the East line (Unit H) of Section 25.

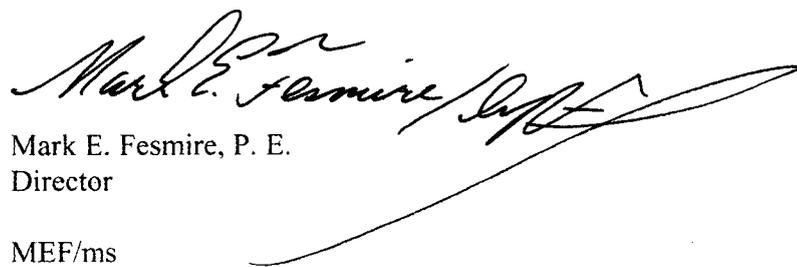
By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the following described unorthodox infill coal gas well location to be drilled within the above-described 320-acre gas spacing unit is hereby approved:

**Montoya "25" Well No. 4
2360' FNL & 1165' FWL (Unit E)
(API No. 30-045-33442).**

Further, HEC Petroleum, Inc. is hereby authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from both the above-described B. Montoya "25" Well No. 1 and Montoya "25" Well No. 4.

Jurisdiction of this cause 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 "Mark E. Fesmire" with a stylized flourish at the end.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec