



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

January 13, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Nearburg Exploration, L.L.C./Nearburg Producing Company

c/o **Holland & Hart, LLP**

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

Attention: Ocean Munds-Dry

omundsdry@hollandhart.com

Administrative Order NSL-5327

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your application on behalf of the operator, Nearburg Producing Company ("Nearburg") that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on January 13, 2006 (*administrative application reference No. pMES0-601357467*); and (ii) the Division's records in Hobbs and Santa Fe: all concerning Nearburg's request for an exception to Rule 4 of the "*Special Rules and Regulations for the EK-Bone Springs Pool*," as promulgated by Division Order No. R-4981, as amended, for Nearburg's proposed Wapiti "31" Federal Well No. 2 to be drilled at an unorthodox oil well location 330 feet from the South line and 1830 feet from the East line (Unit O) of Section 31, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

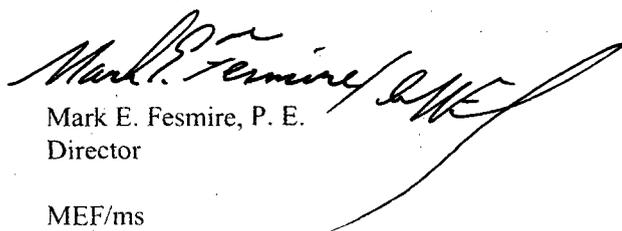
The S/2 SE/4 of Section 31 is to be dedicated to this well in order to form a standard 80-acre lay-down oil spacing and proration unit for the EK-Bone Spring Pool (21650).

Your application for Nearburg has been duly filed under the provisions of: (i) Rule 5 of the special rules for the EK-Bone Springs Pool; (ii) Division Rules 104.F; and (iii) Rule 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].

By the authority granted me under the provision Rule 5 of these special pool rules and Division Rule 104.F (2), the above-described unorthodox EK-Bone Springs oil well location is hereby approved.

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

Sincerely,



Mark E. Fesmire, P. E.

Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Carlsbad