



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 12, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Fasken Oil and Ranch, Ltd.
c/o **W. Thomas Kellahin**
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-5421

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-615135528*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 30, 2006 on behalf of the operator, Fasken Oil and Ranch, Ltd. ("Fasken"); (ii) your e-mail sent to Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe on Monday morning, July 3, 2006 checking on the status of this application; (iii) your follow-up telephone call to Mr. Stogner on Wednesday morning, July 12, 2006; and (iv) the Division's records in Santa Fe: all concerning Fasken's request for an exception to Rule 4 of the "*Special Rules and Regulations for the Vacuum-Wolfcamp Pool*," as promulgated by Division Order No. R-2422, as amended, for its existing Kirby "26" State Well No. 1 (**API No. 30-025-36093**), located within a standard 320-acre stand-up gas spacing unit within the Undesignated North Vacuum-Atoka Morrow Gas Pool (**86800**) comprising the W/2 of Section 26, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, at a standard deep gas well location, pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, 1980 feet from the North line and 1310 feet from the West line (Unit E) of Section 26.

Your application for Fasken has been duly filed under the provisions of: (i) Rule 5 of the "*Special Rules and Regulations for the Vacuum-Wolfcamp Pool*"; (ii) Division Rule 104.F; and (iii) Division 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].

It is the Division's understanding that Fasken initially permitted this well only as a deep Atoka/Morrow test within the aforementioned 320-acre deep gas spacing unit; the well was subsequently spud on January 17, 2003, drilled to a total depth of 11,964 feet, and completed in the Undesignated North Vacuum-Atoka Morrow Gas Pool. The current rate of production from the Atoka/Morrow completion is now deemed uneconomical and that it is Fasken's intent to plug-back and test the shallower Undesignated Vacuum-Wolfcamp Pool (**62340**) within a standard 80-acre lay-down oil spacing and proration unit comprising the S/2 NW/4 of Section 26.

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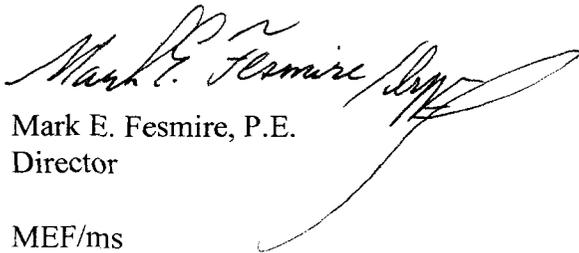
It is further understood that all of Section 26 comprises a single state lease issued by the New Mexico State Land Office (*State Lease No. B-1520*), in which all mineral interests are common.

By the authority granted me under the applicable provisions of the special pool rules governing the Vacuum-Wolfcamp Pool and Division Rule 104.F (2), the above-described unorthodox Wolfcamp oil well location for Fasken's Kirby "26" State Well No. 1 is hereby approved.

PLEASE CONSIDER HOWEVER THIS AS THE DIVISION'S LAST WARNING ON THIS ISSUE: Fasken, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered. All future applications of this nature will be set to hearing. Should there be any questions concerning this matter, I suggest Fasken review the record in Case No. 12119.

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
New Mexico State Land Office - Santa Fe
