



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

February 6, 2007

Torch Energy Services, Inc.
2600 W I-20
Odessa, TX 79763
Attn: Jim Kidd, Production Engineer

Administrative Order NSL-5560

Re: Cooper Jal Unit Wells Nos. 501 through 509
18-24S-37E
Lea County

Dear Mr. Kidd:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-01648556**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 18, 2007, and

(b) the Division's records pertinent to this request, including the your original application submitted on January 8, 2007, that was rejected.

Torch Energy Services, Inc. (Torch) has requested to drill its Cooper Jal Unit Wells Nos. 501 through 509 at unorthodox oil well locations as specified below. Standard 40-acres units, as identified below, will be dedicated to each of these wells in the Jalmat Pool (33820) and Langlie-Mattix Pool (37240):

Cooper Jal Unit Well No. 501
API No. 30-025-38180
Location: 1310 FNL and 1248 FWL, Unit D, Section 18-24S-37E
Unit: NW/4 NW/4 Section 18

Cooper Jal Unit Well No. 502
API No. 30-025-38188

Location: 2630 FNL and 1249 FWL, Unit E, Section 18-24S-37
Unit: SW/4 NW/4 Section 18

Cooper Jal Unit Well No. 503
Location: 1332 FSL and 1207 FWL, Unit L, Section 18-24S-37
Unit: NW/4 SW/4 Section 18

Cooper Jal Unit Well No. 504
API No. 30-025-38189
Location: 1330 FNL and 2468 FWL, Unit F, Section 18-24S-37
Unit: SE/4 NW/4 Section 18

Cooper Jal Unit Well No. 505
API No. 30-025-38263
Location: 2581 FNL and 2369 FWL, Unit F, Section 18-24S-37
Unit: SE/4 NW/4 Section 18

Cooper Jal Unit Well No. 506
API No. 30-025-38201
Location: 1310 FSL and 2477 FEL, Unit O, Section 18-24S-37
Unit: SW/4 SE/4 Section 18

Cooper Jal Unit Well No. 507
API No. 30-025-38269
Location: 1307 FNL and 1534 FEL, Unit B, Section 18-24S-37
Unit: NW/4 NE/4 Section 18

Cooper Jal Unit Well No. 508
API No. 30-025-38270
Location: 2546 FNL and 1238 FEL, Unit H, Section 18-24S-37
Unit: SE/4 NE/4 Section 18

Cooper Jal Unit Well No. 509
API No. 30-025-38202
Location: 1370 FSL and 1368 FEL, Unit J, Section 18-24S-37
Unit: NW/4 SE/4 Section 18

The Jalmat Pool is governed by the Special Pool Rules for the Jalmat Gas Pool, as provided in Order R-8170-P, effective December 14, 2001. The Langlie-Mattix Pool is governed by statewide Rule 104.B. In both pools, the standard oil unit is 40 acres, and wells must be located at least 330 feet from a spacing unit outer boundary. Each of the above-described wells is located less than 330 feet from a spacing unit outer boundary. However, none of these wells is located less than 330 feet from a section boundary.

The Special Pool Rules for the Jalmat Gas Pool additionally provide that no more than one Jalmat oil well shall be located in any 40-acre unit. However, an exception to this rule is provided for units committed to active secondary recovery projects. All of Section 18, Township 24 South, Range 37 East, is included in the Cooper Jal Unit, an active waterflood project authorized for the Jalmat Pool by Order No. R-4020, and for the Lnglie-Mattix Pool by Order No. R-4019.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that this location is being requested because Torch's analysis of this waterflood project indicates that the proposed wells can produce stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

It is also understood that the Cooper Jal Unit, of which Torch is the designated operator, includes all of Section 18, and provides for allocation of production from all parts of the section among the same parties in identical proportions. Accordingly, there are no "affected persons" to whom notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox locations are hereby approved.

THIS APPROVAL IS CONDITIONED, HOWEVER, such that none of these wells shall be produced **UNLESS AND UNTIL** any gas well completed in the Jalmat or Langlie-Mattix pool within the same quarter section is either shut-in or the operator demonstrates by gas/oil ratio test that such gas well should be re-classified as an oil well. This exception applies as follows:

The Cooper Jal Unit Wells Nos. 501, 502, 504 and 505, located in the NW/4 of Section 18, shall not be produced simultaneously with the Cooper Jal Unit Well No. 101 (API No. 30-025-11145), located 660 FNL and 1980 FWL (Unit C) of the section;

the Cooper Jal Unit Well No. 503, located in the SW/4 of Section 18, shall not be produced simultaneously with the Cooper Jal Unit Well No. 117 (API No. 30-025-11140), located 660 FSL and 1980 FWL (Unit N) of the section; and

the Cooper Jal Unit Wells Nos. 506 and 509, located in the SE/4 of Section 18, shall not be produced simultaneously with the Cooper Jal Unit Well No. 110 (API No. 30-025-11143), located 1980 FSL and 660 FEL (Unit I) of the section.

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 "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs