



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

November 10, 1997

Beach Exploration, Inc.  
800 N. Marienfeld - Suite 200  
Midland, Texas 79701-3382  
Attention: Robert N. Hinson

*Administrative Order NSL-3896*

Dear Mr. Hinson:

Reference is made to Beach Exploration, Inc.'s application dated October 1, 1997, as supplemented by your letter dated October 17, 1997, for an unorthodox Atoka/Morrow gas well location for the plugged and abandoned Skelly Oil Company Henshaw Deep Unit Well No. 9 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 23, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.

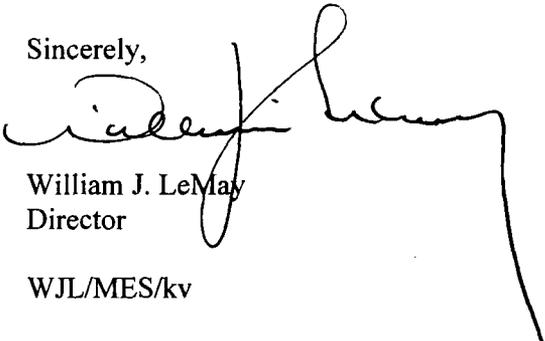
The Henshaw Deep Unit Well No. 9 was originally drilled to a total depth of 9,474 feet in 1963 in order to test the Wolfcamp formation for oil whereby it tested dry and was subsequently plugged and abandoned.

It is our understanding that Beach Exploration, Inc. now intends to reenter said well and deepen it to an approximate depth of 11,800 in order to test the Devonian, Morrow, and Atoka formations. The well location, being within one mile of the Henshaw-Devonian Gas Pool, created in 1960 and developed on 160-acre spacing, is considered to be standard pursuant to Rule 104.C(2)(a) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"); however, the Morrow formation and the Undesignated Henshaw-Atoka Gas Pool, in which a proposed 320-acre gas spacing and proration unit comprising the W/2 of said Section 23 is to be dedicated and is considered to be unorthodox pursuant to said Rule 104.C(2)(a).

The application has been duly filed under the provisions of Division General Rule 104.F of the General Rules and Regulations of the Division.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,



William J. LeMay  
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad