



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

July 16, 1998

Example

Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227
Attention: Raye Miller

Administrative Order NSL-4034-A

Dear Mr. Miller:

Reference is made to: (i) Marbob Energy Corporation's ("Marbob") initial application by Dean Chumbley dated July 7, 1998 for an unorthodox Paddock oil well location in Section 18, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico; (ii) the records of the Division in Santa Fe including the file on Division Administrative Order NSL-4034; (iii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe; (iv) your letter dated July 16, 1998; and, (v) a letter from ARCO Permian dated July 15, 1998.

The Division Director Finds That:

- (1) Marbob and ARCO Permian are partners under a joint development agreement in which Marbob will be the operator of the Cedar Lake Federal Lease (Federal Lease No. LC-029395-A) that comprises the following described 609.43 acres, more or less, in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 18: Lots 3 and 4, E/2 SW/4, and SE/ (S/2 equivalent)
Section 19: Lots 1 and 2, NE/4, and E/2 NW/4 (N/2 equivalent);

- (2) By Division Administrative Order NSL-4034, dated May 18, 1998, Marbob was granted authorization to drill its Cedar Lake Federal Well No. 1 (API No. 30-015-30244) to the Morrow formation at an unorthodox gas well location 1385 feet from the South line and 1410 feet from the West line (Unit K) of Section 18 within a standard 304.51-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 18 for either the Undesignated Cedar Lake-Morrow Gas Pool or Undesignated North Cedar Lake-Morrow Gas Pool;
- (3) It is our understanding that the Morrow tested dry and Marbob now intends to recomplete this well up-hole into the Paddock formation;
- (4) The Paddock formation underlying this area is subject to the statewide rules and regulations for oil wells, as promulgated by Division General Rule 104.C(1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of such a unit;

- (5) The NE/4 SW/4 of Section 18 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for Paddock oil production;
- (6) All mineral interests are common throughout this lease;
- (7) The application has been duly filed under the provisions of Division General Rule 104.F;
- (8) Approval of Marbob's proposed recompletion of its Cedar Lake Federal Well No. 1 is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow Marbob to commence development of the Paddock formation underlying this acreage;
- (9) As development progresses it is anticipated by Marbob that additional unorthodox oil well locations will be necessary within the Cedar Lake Federal Lease in order to avoid existing gas and water supply pipelines and cultural and terrain problems; and,
- (10) A procedure allowing Marbob to drill future Paddock oil wells within its Cedar Lake Federal lease at locations that are unorthodox based on the well location requirements of Division General Rule 104.C(1)(a) without further administrative review by the Division Director should be adopted, provided that any such unorthodox location within the above-described Cedar Lake Federal Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 25 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Division General Rule 104 F(2), Marbob Energy Corporation ("Marbob") is hereby authorized to recomplete its Cedar Lake Federal Well No. 1 (API No. 30-015-30244) from the deeper Morrow formation to the shallower Paddock formation at an unorthodox oil well location 1385 feet from the South line and 1410 feet from the West line (Unit K) of Section 18, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. The NE/4 SW/4 of Section 18 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit.
- (2) Further, Division Administrative Order NSL-4034, dated May 18, 1998, shall be placed in abeyance until further notice.

It Is Further Ordered That:

- (3) Within the following described 609.43 acres, known as the Cedar Lake Federal Lease, Marbob is hereby authorized to locate wells within the Paddock formation that are unorthodox based on the well location requirements of Division General Rule 104.C(1)(a), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Cedar Lake Federal Lease nor closer than 25 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 18: Lots 3 and 4, E/2 SW/4, and SE/ (S/2 equivalent)
Section 19: Lots 1 and 2, NE/4, and E/2 NW/4 (N/2 equivalent);

(4) Any unorthodox Paddock oil well location authorized by Ordering Paragraph No. (3) above shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Cedar Lake Federal Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well is to be highlighted or outlined; and, (iii) this administrative order (NSL-4034-A) must be referenced.

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

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
ARCO Permian - Midland, Texas
File: NSL-4034 /



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

May 25, 1999

ARCO Permian
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Elizabeth A. Casbeer

Administrative Order NSL-4060-A

Dear Ms. Casbeer:

Reference is made to: (i) your applications dated August 20, 1998 for several unorthodox oil well locations in the Glorieta and Yeso formations within ARCO Permian's ("ARCO") Washington "33" State Lease located within Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the files on Division Administrative Orders NSL-915-A, NSL-915-B(1), NSL-4003-A, and NSL-4060; and (iii) correspondence from Mr. David Percy with ARCO in Midland dated July 30, 1998.

The Division Director Finds That:

- (1) ARCO is the owner and operator the Washington "33" State Lease, which comprises the following described 600 acres, more or less, that comprise a portion of New Mexico State Land Office lease No. X-00647:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2;

- (2) Both the Glorieta and Yeso formations underlying this area are subject to the statewide rules for oil wells, as set forth Division Rule 104.B(1)(b), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of such a unit;
- (3) All mineral interests are common throughout this lease;
- (4) These applications have been duly filed under the provisions of Division Rule 104.F;
- (5) Approval of the above referenced applications is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow ARCO to simultaneously develop both the oil bearing Glorieta and Yeso formations while developing the Artesia-Queen-Grayburg-San Andres Pool (see Division Administrative Order NSL-4060, dated June 19, 1998), thereby resulting in the recovery of additional reserves that might not otherwise be produced; and,

- (6) A procedure that allows ARCO to include additional Glorieta and/or Yeso oil wells as needed within its Washington "33" State lease at locations that are unorthodox based on the well location requirements of Division Rule 104.B(1)(b) without any further administrative review by the Director should be adopted, provided that any such unorthodox location within the Washington "33" State Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104 F(2), ARCO Permian ("ARCO") is hereby authorized to complete the following four wells at unorthodox oil well locations within the Glorieta and/or Yeso formations within its Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location</i>	<i>Unit</i>	<i>Dedicated 40-Acre Tract</i>
<i>Washington "33" State Well No. 16</i>	<i>30-015-22415</i>	<i>1500' FSL - 700' FEL</i>	<i>I</i>	<i>NE/4 SE/4</i>
<i>Washington "33" State Well No. 17</i>	<i>30-015-22821</i>	<i>1900' FSL & 1450' FEL</i>	<i>J</i>	<i>NW/4 SE/4</i>
<i>Washington "33" State Well No. 27</i>	<i>30-015-22605</i>	<i>815' FSL & 2525' FEL</i>	<i>O</i>	<i>SW/4 SE/4</i>
<i>Washington "33" State Well No. 30</i>	<i>30-015-22465</i>	<i>750' FSL & 1150' FEL</i>	<i>P</i>	<i>SE/4 SE/4</i>

It Is Further Ordered That:

(2) Within the following described 600 acres, known as the Washington "33" State Lease, ARCO is hereby authorized to recomplete existing wells and drill new wells into the Glorieta and/or Yeso formations that are unorthodox based on the well location requirements of Division Rule 104.B(1)(b), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Washington "33" Lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
 Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2.

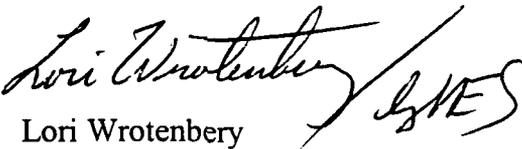
- (3) Any unorthodox location authorized by Ordering Paragraph (2) shall require the

Administrative Order NSL-4060-A
ARCO Permian
May 25, 1999
Page 3

submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Washington "33" State Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well is to be highlighted or outlined; (iii) all other wells within the Glorieta and/or Yeso formations that are dedicated to this 40-acre tract are to be identified and described; and, (iv) this administrative order (NSL-4060-A) must be referenced.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Dave Percy, ARCO - Midland, Texas
William F. Carr, Legal Counsel for ARCO - Santa Fe
File: NSL-4060
NSL-915-A
NSL-915-B(1)
NSL-4003-A



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 19, 1998

ARCO Permian
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Elizabeth A. Casbeer

Administrative Order NSL-4060

Dear Ms. Casbeer:

Reference is made to: (i) your applications dated April 29, May 12, May 20, June 3, and June 16, 1998 for several unorthodox oil well locations in the Artesia-Queen-Grayburg-San Andres Pool within ARCO Permian's ("ARCO") Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; (ii) the records of the Division in Santa Fe including the files on Division Administrative Orders NSL-915-A, NSL-915-B, NSL-4003, NSL-4007, NSL-4035, and NSL-4036; and (iii) a telephone conversation between David Percy with ARCO in Midland and Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") on Monday, June 18, 1998.

The Division Director Finds That:

- (1) ARCO is the owner and operator of the Washington "33" State Lease, which comprises the following described 600 acres, more or less, that comprise a portion of New Mexico State Land Office Lease No: X-00647:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2;

- (2) The Artesia-Queen-Grayburg-San Andres Pool underlying this area is subject to the statewide rules for oil wells, as set forth in Division Rule 104.C(1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of such a unit;
- (3) All mineral interests are common throughout this lease;
- (4) The application has been duly filed under the provisions of Division Rule 104.F;
- (5) Approval of the above referenced applications is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow ARCO to develop the Artesia-Queen-Grayburg-San Andres Pool with infill wells in order to recover additional reserves that might not otherwise be produced; and
- (6) A procedure that allows ARCO to include additional Artesia-Queen-Grayburg-San Andres oil wells as needed within its Washington "33" State at locations that are unorthodox under Division Rule 104.C(1)(a) without further administrative review by the Director should be

adopted, provided that any such unorthodox location within the Washington "33" State Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F(2), ARCO Permian ("ARCO") is hereby authorized to recomplete five existing wells and drill two additional wells at unorthodox oil well locations in the Artesia-Queen-Grayburg-San Andres Pool within its Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, as follows:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location</i>	<i>Unit</i>	<i>Dedicated 40-Acre Tract</i>
Washington "33" State Well No. 16 (formerly the Empire Abo Unit "G" Well No. 323)	30-015-22415	1500' FSL - 700' FEL	I	NE/4 SE/4
Washington "33" State Well No. 17 (formerly the Empire Abo Unit "G" Well No. 315)	30-015-22821	1900' FSL & 1450' FEL	J	NW/4 SE/4
Washington "33" State Well No. 18 (formerly the Empire Abo Unit "G" Well No. 312)	30-015-21745	1550' FSL & 2511' FEL	J	NW/4 SE/4
Washington "33" State Well No. 19 (new drill)	NA	2360' FSL - 2165' FWL	K	NE/4 SW/4
Washington "33" State Well No. 23 (new drill)	NA	975' FSL - 1060' FWL	M	SW/4 SW/4
Washington "33" State Well No. 27 (formerly the Empire Abo Unit "H" Well No. 312)	30-015-22605	815 FSL & 2525' FEL	O	SW/4 SE/4
Washington "33" State Well No. 30 (formerly the Empire Abo Unit "H" Well No. 322)	30-015-22465	750' FSL & 1150' FEL	P	SE/4 SE/4

It Is Further Ordered That:

(2) Within the following described 600 acres, known as the Washington "33" State Lease, ARCO is hereby authorized to locate wells within the Artesia-Queen-Grayburg-San Andres Pool that are

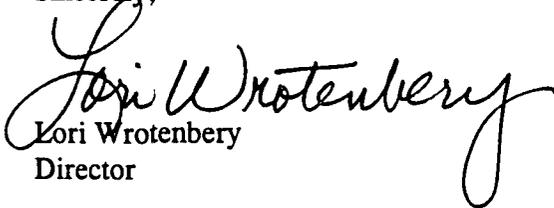
unorthodox based on the well location requirements of Division Rule 104.C(1)(a), provided that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Washington "33" Lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2;

(3) Any unorthodox location authorized by Ordering Paragraph (2) shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Washington "33" State Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well must be highlighted or outlined; (iii) all other wells within the Artesia-Queen-Grayburg-San Andres Pool that are dedicated to this 40-acre tract must be identified and described; and, (iv) this administrative order (NSL-4060) must be referenced.

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

Sincerely,


Lori Wrottenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Dave Percy, ARCO - Midland, Texas
William F. Carr, Legal Counsel for ARCO - Santa Fe



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

April 5, 1999

PennzEnergy Company
P. O. Box 4616
Houston, Texas 77210-4616
Attention: Don Lankford

Administrative Order NSL-4251

Dear Mr. Lankford:

Reference is made to: (i) PennzEnergy Company's ("PennzEnergy") initial application filed with the New Mexico Oil Conservation Division's ("Division") office in Santa Fe on February 22, 1999 for two unorthodox gas well locations to be drilled to the coal interval of the Vermejo formation in Colfax County, New Mexico; (ii) PennzEnergy's amended application dated March 5, 1999 with attachments; and (iii) the records of the Division in Santa Fe.

The Division Director Finds That:

- (1) PennzEnergy is the owner and operator of the oil and gas mineral rights underlying an area in Colfax County, New Mexico, more commonly referred to as Vermejo Park Ranch, as further described in: (i) a map entitled "Vermejo Ranch" prepared by Pennzoil Exploration & Production Company dated February 19, 1999; and (ii) a legal description that is an attachment, depicted as Exhibit "A", to the "Nonparticipating Royalty Deed," dated September 20, 1996; both aforementioned documents should be incorporated by reference into this order;
- (2) All gas bearing intervals from the surface to the base of the Dakota formation, which includes the Vermejo formation, underlying this area are currently subject to the statewide rules and regulations for gas wells, as set forth in Division Rules 104.B(3)(b) and 104.D(3), which provides for: (i) 160-acre gas spacing and proration units, or drilling units; (ii) requires that wells be located no closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool; and (iii) limits the number of wells for each 160-acre drilling tract to only one;
- (3) Currently all mineral interests from the surface to the base of the Dakota formation are common throughout this lease;
- (4) The subject application has been duly filed under the provisions of Division Rule 104.F;

- (5) Approval of PennzEnergy's proposed: (i) VPR – Canadian River “3120” Well No. 62 (API No. 30-007-20111), to be drilled at an unorthodox gas well location 652 feet from the North line and 1717 feet from the West line (Unit C) of Section 6, Township 31 North, Range 20 East, as projected into the (Public unsurveyed) Maxwell Land Grant by PennzEnergy's private survey, Colfax County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 6; and (ii) VPR – Canadian River “3219” Well No. 361 (API No. 30-007-20112), to be drilled at an unorthodox gas well location 1356 feet from the South line and 1395 feet from the East line (Unit J) of Section 36, Township 32 North, Range 19 East, as projected into the (Public unsurveyed) Maxwell Land Grant by PennzEnergy's private survey, Colfax County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the SE/4 of Section 36: is necessary for topographic reasons;
- (6) As gas exploration and development on the Vermejo Park Ranch lease progresses it is anticipated by PennzEnergy and the supervisor of the Division's District IV office in Santa Fe that additional unorthodox gas well locations will be necessary in order to: (i) minimize disturbance to wildlife habitat; (ii) preserve the scenic beauty; and (iii) minimize construction of wellpads by avoiding rugged terrain when practical;
- (7) A procedure allowing PennzEnergy to drill future gas wells to those gas bearing intervals from the surface to the base of the Dakota formation within the Vermejo Park Ranch lease at locations that are unorthodox based on the well location requirements of Division Rules 104.B(3)(b) and 104.C(4) without further administrative review by the Division Director should be adopted, provided that any such unorthodox location within the above-described Vermejo Park Ranch lease is no closer than the required minimum orthodox distance (660 feet) to: (i) the outer boundary of the lease; or (ii) the New Mexico/Colorado state-line, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (8) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow PennzEnergy to develop its gas reserves within the Vermejo Park Ranch lease from the surface to the base of the Dakota formation in a prudent manner; and
- (9) The provisions of this order should be amended if oil and gas mineral interests are divided in any way within the Vermejo Park Ranch area.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104 F(2), PennzEnergy Company ("PennzEnergy") is hereby authorized to drill the following two described wells at unorthodox gas well locations in the Vermejo formation within its Vermejo Park Ranch lease in Colfax County, New Mexico, as follows:

- (i) VPR – Canadian River "3120" Well No. 62 (API No. 30-007-20111), to be drilled at an unorthodox gas well location 652 feet from the North line and 1717 feet from the West line (Unit C) of Section 6, Township 31 North, Range 20 East, as projected into the (Public unsurveyed) Maxwell Land Grant by PennzEnergy's private survey, Colfax County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 6; and
- (ii) VPR – Canadian River "3219" Well No. 361 (API No. 30-007-20112), to be drilled at an unorthodox gas well location 1356 feet from the South line and 1395 feet from the East line (Unit J) of Section 36, Township 32 North, Range 19 East, as projected into the (Public unsurveyed) Maxwell Land Grant by PennzEnergy's private survey, Colfax County, New Mexico.

It Is Further Ordered That:

(2) Within the Vermejo Park Ranch lease in Colfax County, New Mexico, as further described in: (i) a map entitled "Vermejo Ranch" prepared by Pennzoil Exploration & Production Company dated February 19, 1999; and (ii) a legal description that is an attachment, depicted as Exhibit "A", to the "*Nonparticipating Royalty Deed*," dated September 20, 1996; both aforementioned documents herein incorporated by reference into this order; PennzEnergy is hereby authorized to drill gas wells to any formation from the surface to the base of the Dakota formation that are unorthodox; provided however, that any such unorthodox gas well location is no closer than the required minimum orthodox distance (660 feet) to: (i) the outer boundary of the Vermejo Park Ranch lease; or (ii) the New Mexico/Colorado state-line, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(3) Any unorthodox gas well location authorized by Ordering Paragraph No. (2) above shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Santa Fe. The Form C-

102 for any such well shall include the following additional information: (i) the designated 160 acres to be dedicated to the well is to be highlighted or outlined; (ii) show on the plat the boundary of the lease or the New Mexico/Colorado state-line, if applicable; and (iii) this administrative order (NSL-4251) must be referenced.

(4) The provisions of this order shall be amended if oil and gas mineral interests are divided in any way within the Vermejo Park Ranch area.

(5) The operator of the Vermejo Park Ranch lease is required to notify the supervisor of the Division's District IV office in Santa Fe of: (i) any changes that may effect the intent of this order; and (ii) seek such amendment to this order if the oil and gas mineral interests are changed.

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: Roy Johnson, Supervisor District IV- New Mexico Oil Conservation Division, Santa Fe



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

July 16, 1998

Example

Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227
Attention: Raye Miller

Administrative Order NSL-4034-A

Dear Mr. Miller:

Reference is made to: (i) Marbob Energy Corporation's ("Marbob") initial application by Dean Chumbley dated July 7, 1998 for an unorthodox Paddock oil well location in Section 18, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico; (ii) the records of the Division in Santa Fe including the file on Division Administrative Order NSL-4034; (iii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe; (iv) your letter dated July 16, 1998; and, (v) a letter from ARCO Permian dated July 15, 1998.

The Division Director Finds That:

- (1) Marbob and ARCO Permian are partners under a joint development agreement in which Marbob will be the operator of the Cedar Lake Federal Lease (Federal Lease No. LC-029395-A) that comprises the following described 609.43 acres, more or less, in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 18: Lots 3 and 4, E/2 SW/4, and SE/ (S/2 equivalent)
Section 19: Lots 1 and 2, NE/4, and E/2 NW/4 (N/2 equivalent);

- (2) By Division Administrative Order NSL-4034, dated May 18, 1998, Marbob was granted authorization to drill its Cedar Lake Federal Well No. 1 (API No. 30-015-30244) to the Morrow formation at an unorthodox gas well location 1385 feet from the South line and 1410 feet from the West line (Unit K) of Section 18 within a standard 304.51-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 18 for either the Undesignated Cedar Lake-Morrow Gas Pool or Undesignated North Cedar Lake-Morrow Gas Pool;
- (3) It is our understanding that the Morrow tested dry and Marbob now intends to recomplete this well up-hole into the Paddock formation;
- (4) The Paddock formation underlying this area is subject to the statewide rules and regulations for oil wells, as promulgated by Division General Rule 104.C(1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of such a unit;

- (5) The NE/4 SW/4 of Section 18 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for Paddock oil production;
- (6) All mineral interests are common throughout this lease;
- (7) The application has been duly filed under the provisions of Division General Rule 104.F;
- (8) Approval of Marbob's proposed recompletion of its Cedar Lake Federal Well No. 1 is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow Marbob to commence development of the Paddock formation underlying this acreage;
- (9) As development progresses it is anticipated by Marbob that additional unorthodox oil well locations will be necessary within the Cedar Lake Federal Lease in order to avoid existing gas and water supply pipelines and cultural and terrain problems; and,
- (10) A procedure allowing Marbob to drill future Paddock oil wells within its Cedar Lake Federal lease at locations that are unorthodox based on the well location requirements of Division General Rule 104.C(1)(a) without further administrative review by the Division Director should be adopted, provided that any such unorthodox location within the above-described Cedar Lake Federal Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 25 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division General Rule 104 F(2), Marbob Energy Corporation ("Marbob") is hereby authorized to recomplete its Cedar Lake Federal Well No. 1 (API No. 30-015-30244) from the deeper Morrow formation to the shallower Paddock formation at an unorthodox oil well location 1385 feet from the South line and 1410 feet from the West line (Unit K) of Section 18, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. The NE/4 SW/4 of Section 18 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit.

(2) Further, Division Administrative Order NSL-4034, dated May 18, 1998, shall be placed in abeyance until further notice.

It Is Further Ordered That:

(3) Within the following described 609.43 acres, known as the Cedar Lake Federal Lease, Marbob is hereby authorized to locate wells within the Paddock formation that are unorthodox based on the well location requirements of Division General Rule 104.C(1)(a), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Cedar Lake Federal Lease nor closer than 25 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPPM

Section 18: Lots 3 and 4, E/2 SW/4, and SE/ (S/2 equivalent)
Section 19: Lots 1 and 2, NE/4, and E/2 NW/4 (N/2 equivalent);

(4) Any unorthodox Paddock oil well location authorized by Ordering Paragraph No. (3) above shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Cedar Lake Federal Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well is to be highlighted or outlined; and, (iii) this administrative order (NSL-4034-A) must be referenced.

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

Sincerely,



Lori Wrotenberg

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
ARCO Permian - Midland, Texas
File: NSL-4034 /



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87506
(505) 827-7131

June 19, 1998

Example

ARCO Permian
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Elizabeth A. Casbeer

Administrative Order NSL-4060

Dear Ms. Casbeer:

Reference is made to: (i) your applications dated April 29, May 12, May 20, June 3, and June 16, 1998 for several unorthodox oil well locations in the Artesia-Queen-Grayburg-San Andres Pool within ARCO Permian's ("ARCO") Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; (ii) the records of the Division in Santa Fe including the files on Division Administrative Orders NSL-915-A, NSL-915-B, NSL-4003, NSL-4007, NSL-4035, and NSL-4036; and (iii) a telephone conversation between David Pearcy with ARCO in Midland and Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") on Monday, June 18, 1998.

The Division Director Finds That:

- (1) ARCO is the owner and operator of the Washington "33" State Lease, which comprises the following described 600 acres, more or less, that comprise a portion of New Mexico State Land Office Lease No. X-00647:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2;

- (2) The Artesia-Queen-Grayburg-San Andres Pool underlying this area is subject to the statewide rules for oil wells, as set forth in Division Rule 104.C(1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of such a unit;
- (3) All mineral interests are common throughout this lease;
- (4) The application has been duly filed under the provisions of Division Rule 104.F;
- (5) Approval of the above referenced applications is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow ARCO to develop the Artesia-Queen-Grayburg-San Andres Pool with infill wells in order to recover additional reserves that might not otherwise be produced; and
- (6) A procedure that allows ARCO to include additional Artesia-Queen-Grayburg-San Andres oil wells as needed within its Washington "33" State at locations that are unorthodox under Division Rule 104.C(1)(a) without further administrative review by the Director should be

adopted, provided that any such unorthodox location within the Washington "33" State Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F(2), ARCO Permian ("ARCO") is hereby authorized to recomplete five existing wells and drill two additional wells at unorthodox oil well locations in the Artesia-Queen-Grayburg-San Andres Pool within its Washington "33" State Lease in Section 33, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, as follows:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location</i>	<i>Unit</i>	<i>Dedicated 40-Acre Tract</i>
<i>Washington "33" State Well No. 16 (formerly the Empire Abo Unit "G" Well No. 323)</i>	<i>30-015-22415</i>	<i>1500' FSL - 700' FEL</i>	<i>I</i>	<i>NE/4 SE/4</i>
<i>Washington "33" State Well No. 17 (formerly the Empire Abo Unit "G" Well No. 315)</i>	<i>30-015-22821</i>	<i>1900' FSL & 1450' FEL</i>	<i>J</i>	<i>NW/4 SE/4</i>
<i>Washington "33" State Well No. 18 (formerly the Empire Abo Unit "G" Well No. 312)</i>	<i>30-015-21745</i>	<i>1550' FSL & 2511' FEL</i>	<i>J</i>	<i>NW/4 SE/4</i>
<i>Washington "33" State Well No. 19 (new drill)</i>	<i>NA</i>	<i>2360' FSL - 2165' FWL</i>	<i>K</i>	<i>NE/4 SW/4</i>
<i>Washington "33" State Well No. 23 (new drill)</i>	<i>NA</i>	<i>975' FSL - 1060' FWL</i>	<i>M</i>	<i>SW/4 SW/4</i>
<i>Washington "33" State Well No. 27 (formerly the Empire Abo Unit "H" Well No. 312)</i>	<i>30-015-22605</i>	<i>815 FSL & 2525' FEL</i>	<i>O</i>	<i>SW/4 SE/4</i>
<i>Washington "33" State Well No. 30 (formerly the Empire Abo Unit "H" Well No. 322)</i>	<i>30-015-22465</i>	<i>750' FSL & 1150' FEL</i>	<i>P</i>	<i>SE/4 SE/4</i>

It Is Further Ordered That:

(2) Within the following described 600 acres, known as the Washington "33" State Lease, ARCO is hereby authorized to locate wells within the Artesia-Queen-Grayburg-San Andres Pool that are

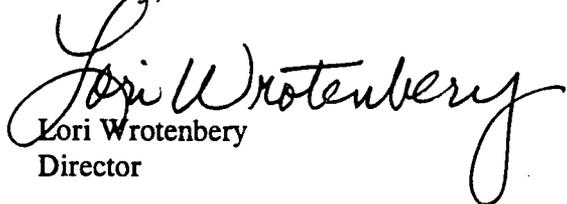
unorthodox based on the well location requirements of Division Rule 104.C(1)(a), provided that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Washington "33" Lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 33: NE/4, NE/4 NW/4, S/2 NW/4, and S/2;

(3) Any unorthodox location authorized by Ordering Paragraph (2) shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Washington "33" State Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well must be highlighted or outlined; (iii) all other wells within the Artesia-Queen-Grayburg-San Andres Pool that are dedicated to this 40-acre tract must be identified and described; and, (iv) this administrative order (NSL-4060) must be referenced.

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

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Dave Percy, ARCO - Midland, Texas
William F. Carr, Legal Counsel for ARCO - Santa Fe

5/20/99

Mallon

September 7, 1999

Mallon Oil Company
Attention: Chirsty Serrano
P. O. Box 2797
Durango, Colorado 81302

Telefax No. (970) 382-7650

Administrative Order NSL- 4355

Dear Ms. Serrano:

Reference is made to the following: (i) your meeting in Santa Fe, New Mexico on Thursday, May 20, 1999 with the New Mexico Oil Conservation Division's ("Division") Chief Hearing Officer/Engineer, Mr. Michael E. Stogner; (ii) your application submitted at that time for four unorthodox gas well locations on Jicarilla Apache Tribal Lands in Rio Arriba County, New Mexico to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but is not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanco-Pictured Cliffs, and Undesignated Choza Mesa-Pictured Cliffs Pool; (iii) two similar applications filed with the Division on January 25, 1999; (iv) the Division's initial response to these two particular applications by letter from Mr. Stogner dated February 3, 1999; (v) Mallon Oil Company's ("Mallon") request, also submitted on May 20, 1999, for a procedure allowing for future gas wells to be drilled to those potential gas bearing intervals from the surface to the base of the Pictured Cliffs formation within a particular area operated by Mallon on Jicarilla Apache Tribal Lands; (vi) your telephone conversation with Mr. Stogner on Monday, June 7, 1999; (vii) your supplemental technical data submitted to the Division on July 15, 1999; (viii) the records of the Division in Santa Fe including the files on Division Administrative Orders NSP-1786, NSP-1787, NSP-1788, NSP-1788-A, NSL-2377, NSL-2377-A, NSL-2518, NSL-2518-A, NSL-2575, NSL-2575-A, NSL-2576, NSL-2576-A, NSL-2831, NSL-2831-A, NSL-2831-B, NSL-3981, NSL-3981-A, NSL-3992, NSL-3992-A, NSL-3993, NSL-3993-A, NSL-3994, NSL-3994-A, NSL-3995, NSL-3995-A, NSL-3995-B, NSL-4109, NSL-4109-A, NSL-4110, NSL-4111, NSL-4199, NSL-4200, NSL-4201, NSL-4202, NSL-4229, NSL-4230, NSL-4231, and NSL-4244; and (ix) the record in New Mexico Oil Conservation Commission Case ^{No.} 12119, which resulted in Order No. R-11231 on August 12, 1999, that served to amend Division Rule 104.

The Division Director Finds That:

- (1) Mallon is the sole owner and operator of oil and gas mineral rights under Indian Mineral Development Agreement ("IMDA") No. 701-98-0013 with the Jicarilla Apache Tribe to a contract area in Rio Arriba County, New Mexico comprising the following described 39,360.00 acres, more or less:

TOWNSHIP 28 NORTH, RANGE 2 WEST, NMPM

Sections 1 through 18: All
Sections 21 through 24: All

TOWNSHIP 29 NORTH, RANGE 2 WEST, NMPM

Sections 4 through 9: All
Sections 15 through 23: All
Sections 26 through 36: All

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 1 and 2: All
Sections 11 through 14: All
Sections 24: All

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 25: All
Section 27: All
Section 28: E/2
Sections 33 through 36: All;

- (2) Mallon however is a partial owner but sole operator of oil and gas mineral rights underlying all or portions of ten other offsetting contract areas within Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico, as further described below:

- (a) a portion of IMDA No. 701-90-0002 covering a 640.00-acre area, more or less, comprising:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 28: W/2

TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM

Section 32: S/2;

- (b) Jicarilla Contract No. 451 covering 2536.29 acres, more or less, of the following described lands:

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 3 and 4: All
Sections 9 and 10: All;

- (c) Jicarilla Contract No. 452 covering 2235.53 acres, more or less, of the following described lands:

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 5 through 8: All;

- (d) Jicarilla Contract No. 457 covering 2532.97 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 3 and 4: All
Sections 9 and 10: All;

- (e) Jicarilla Contract No. 458 covering 2249.19 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 5 through 8: All;

- (f) Jicarilla Contract No. 459 covering 2267.20 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 17 through 20: All;

- (g) Jicarilla Contract No. 460 covering 1999.99 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 15 and 16: All

Section 21: All;

- (h) Jicarilla Contract No. 461 covering 1972.12 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 13 and 14: All

Section 24: All;

- (i) Jicarilla Contract No. 462 covering 1920.00 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 22 and 23: All

Section 26: All; and

- (j) Jicarilla Contract No. 464 covering 2454.35 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 29 through 32: All.

- (3) At the time these applications were filed the applicable rules and regulations for gas producing intervals developed on 160-acre spacing in northwest New Mexico required: (i) that wells be located no closer than 790 feet to any outer boundary of such tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary; and (ii) limited the number of wells for each 160-acre drilling tract to only one;
- (4) On August 31, 1999, certain amendments to Division Rule 104 became effective;

therefore, those gas bearing zones developed on 160-acre spacing that are the subject of this application (surface to the base of the Pictured Cliffs formation, including but not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanco-Pictured Cliffs, and Undesignated Chozas Mesa-Pictured Cliffs Pool) within the boundary formed by combining all of the above-described Jicarilla Apache Tribal contract areas, are subject to the current statewide rules for gas wells, which provides for: (i) 160-acre gas spacing and proration units, or drilling units; (ii) requires that wells be located no closer than 660 feet to any outer boundary of such tract nor closer than 10 feet to any quarter-quarter section or subdivision inner boundary; and (iii) limits the number of wells for each 160-acre drilling tract to only one;

- (5) Mallon's applications, having been duly filed with the Division, meet the provisions of Division Rules: (i) 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999; and (ii) 1207.A(2), revised by Division Order No. R-11205, issued by the New Mexico Oil Conservation Commission in Case 12177 on June 17, 1999;
- (6) All oil and gas mineral interests within this combined area have been notified and no objections to Mallon's requests have been filed with the Division;
- (7) Approval of Mallon's existing or proposed:
 - (i) Jicarilla "28-2-11" Well No. 1 (API No. 30-039-26038), located at an unorthodox gas well location 950 feet from the North line and 2050 feet from the West line (Unit C) of Section 11, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 11;
 - (ii) Jicarilla "28-2-4" Well No. 1 (API No. 30-039-26037), located at an unorthodox gas well location 1135 feet from the North line and 1400 feet from the East line (Unit G) of Section 4, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 140.73-acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 4;
 - (iii) Jicarilla "28-2-10" Well No. 1 (API No. 30-039-26097), to be drilled at an unorthodox gas well location 754 feet from the North line and 824 feet from the West line (Unit D) of Section 10, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 10;
 - (iv) Jicarilla "29-2-16" Well No. 2 (API No. 30-039-26109), to be

drilled at an unorthodox gas well location 1761 feet from the North line and 602 feet from the East line (Unit H) of Section 16, Township 29 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NE/4 of Section 16;

- (v) Jicarilla "29-2-29" Well No. 1 (**API No. 30-039-26115**), to be drilled at an unorthodox gas well location 1768 feet from the South line and 437 feet from the West line (Unit L) of Section 29, Township 29 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the SW/4 of Section 29;
- (vi) Jicarilla "30-3-36" Well No. 1 (**API No. 30-039-26103**), to be drilled at an unorthodox gas well location 673 feet from the North line and 580 feet from the West line (Unit D) of Section 36, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NE/4 of Section 36:

are necessary for topographic and/or geological reasons;

- (8) As gas exploration and development on these Jicarilla Apache Tribal contract areas progresses it is anticipated by Mallon that additional unorthodox gas well locations will be necessary in order to: (i) avoid archeological sites; (ii) minimize disturbance to forested and wildlife habitats; (iii) minimize construction of wellpads by avoiding rugged terrain when practical; and (iv) position wellbores within geologically more favorable locations in order to maximize the likelihood of obtaining commercial gas production;
- (9) A procedure allowing Mallon to drill future gas wells to those gas bearing intervals from the surface to the base of the Pictured Cliffs formation that are developed on 160-acre spacing within the above-listed Jicarilla Apache Tribal contract areas at locations that are unorthodox based on the current well location requirements of Division Rule 104.C(3) without further administrative review by the Division Director should be adopted, provided that any such unorthodox location within that area formed by the combining the surface areas of the above-described contract areas is no closer than the required minimum orthodox distance (660 feet) to: (i) the outer boundary of this combined area; (ii) nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow Mallon to develop its gas reserves within those gas producing intervals from the surface to the base of the Pictured Cliffs formation developed on 160-acre spacing underlying the above-described contracted areas; and
- (11) The provisions of this order should be amended if: (i) the operator within this area

changes in any way; or (ii) significant changes are made to the oil and gas mineral interest ownership within any of these contracted areas.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104 F(2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999, Mallon Oil Company ("Mallon") is hereby authorized to complete or drill the following six wells at unorthodox gas well locations to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formations, all in Rio Arriba County, New Mexico:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location Section-Township-Range</i>	<i>Unit</i>	<i>Dedicated 160- Acre Tract</i>
<i>Jicarilla "28-2-11" Well No. 1</i>	<i>30-039-26038</i>	<i>950' FNL & 2050' FWL 11-T28N-R2W</i>	<i>C</i>	<i>NW/4</i>
<i>Jicarilla "28-2-4" Well No. 1</i>	<i>30-039-26037</i>	<i>1135' FNL & 1400' FEL 4-T28N-R2W</i>	<i>G</i>	<i>NE/4 equivalent</i>
<i>Jicarilla "28-2-10" Well No. 1</i>	<i>30-039-26097</i>	<i>754' FNL & 824' FWL 10-T28N-R2W</i>	<i>D</i>	<i>NW/4</i>
<i>Jicarilla "29-2-16" Well No. 2</i>	<i>30-039-26109</i>	<i>1761' FNL & 602' FEL 16-T29N-R2W</i>	<i>H</i>	<i>NE/4</i>
<i>Jicarilla "29-2-29" Well No. 1</i>	<i>30-039-26115</i>	<i>1768' FSL & 437' FWL 29-T29N-R2W</i>	<i>L</i>	<i>SW/4</i>
<i>Jicarilla "30-3-36" Well No. 1</i>	<i>30-039-26103</i>	<i>673' FNL & 580' FWL 36-T30N-R3W</i>	<i>D</i>	<i>NE/4</i>

It Is Further Ordered That:

(2) Within the following described 60,167.64 acres, more or less, within Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico, hereinafter referred to as the **Mallon/Jicarilla Consolidated Contract Area**, Mallon is hereby authorized to recomplate existing wells and drill new wells on Jicarilla Apache Tribal Lands in Rio Arriba County, New Mexico to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but is not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanco-Pictured Cliffs, and Undesignated Choza Mesa-Pictured Cliffs Pool that are unorthodox based on the well location requirements of Division Rule 104.C(3), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Mallon/Jicarilla Consolidated Contract Area nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 28 NORTH, RANGE 2 WEST, NMPM

Sections 1 through 18: All
 Sections 21 through 24: All

TOWNSHIP 29 NORTH, RANGE 2 WEST, NMPM

Sections 4 through 9: All
Sections 15 through 23: All
Sections 26 through 36: All

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 1 through 14: All
Sections 24: All

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 4 through 10: All
Sections 13 through 36: All

TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM

Section 32: S/2.

(3) Any unorthodox location authorized by Ordering Paragraph (2) shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Aztec. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Mallon/Jicarilla Consolidated Contract Area must be outlined; (ii) the designated 160 acres to be dedicated to the well is to be highlighted or outlined; and, (iii) this administrative order (NSL- 4355) must be referenced.

(4) The provisions of this order shall be amended if: (i) the operator within this area changes in any way; or (ii) significant changes are made to the oil and gas mineral interest ownership within any of these contracted areas.

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

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque