



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

January 9, 2004

Lori Wrotenberg
Director

Oil Conservation Division

V-F Petroleum Inc.
c/o Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-4979 (BHL)

Dear Mr. Carr:

Reference is made to the following: (i) your application dated August 28, 2003 (*administrative application reference No. pLR0-324129651*) on behalf of the operator, V-F Petroleum Inc. ("V-F"); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Hearing Officer with the New Mexico Oil Conservation Division in Santa Fe ("Division") on Friday, August 29, 2003; (iii) your letter dated September 10, 2003 with supplemental information to support this application; (iv) Mr. Tom Beall's voice mail message for Mr. Stogner on December 1, 2003; (v) Mr. Stogner's telephone conversation with Mr. Beall on December 4, 2003; (vi) yours and Mr. Stogner's meeting to discuss this matter and follow-up e-mail on Tuesday, January 6, 2004; and (vii) the Division's records in Santa Fe, including the file in Division Case No. 13103: all concerning V-F's request for a non-standard subsurface Morrow gas well location, pursuant to Division Rule 104.F and 111.C (2) for its existing Samuel Burns State Well No. 3 (API No. 30-015-30395), located on the surface 450 feet from the North line and 2100 feet from the East line (Unit B) of Section 34, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

The Division's records indicate that this well was initially drilled in January, 1999 by Marathon Oil Company of Hobbs, New Mexico to a total depth of 10,040 feet and completed as an oil well within the Travis-Upper Pennsylvanian Pool (59860) at a standard oil well location within a standard 80-acre stand-up oil spacing and proration unit comprising the W/2 NE/4 of Section 34, in accordance with the "Special Rules and Regulations for the Travis-Upper Pennsylvanian Pool," as promulgated by Division Order No. R-5643, as amended. A directional survey of this wellbore indicates the subsurface location at its current total depth is approximately 530 feet from the North line and 2086 feet from the East line (Unit B) of Section 34.

It is our understanding that V-F, as the operator of this well since November 1, 2000, intends to abandon the Upper Pennsylvanian oil interval by plugging off its current perforations and deepen the wellbore down to an approximate depth of 11,200 feet in order to test the North Turkey Track-Morrow Gas Pool (86500) within a standard 320-acre lay-down gas spacing unit comprising the N/2 of Section 34 at a targeted bottomhole location 530 feet from the North line and 2087 feet from the East line (Unit B) of Section 34.

Your application has been duly filed under the provisions of Division Rules 104.F and 111.C (2).

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard deep Morrow gas well location within the N/2 of Section 34 for V-F's Samuel Burns State Well No. 3 is hereby approved. Further, V-F shall comply with all provisions of Division Rule 111 applicable in this matter.

Sincerely,



Lori Wrotenbery
Director

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cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
File: Case No. 13103
Mr. Tom Beall, V-F Petroleum Inc. – Midland, TX (fpi@emidland.com)