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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

January 30, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Clayton Williams Energy, Inc.
Claydesta Center
Six Desta Drive – Suite 3000
Midland, Texas 79705

Telefax No. (432) 688-3225

Attention: **Matt Swierc**
mswierc@claytonwilliams.com

Administrative Order NSL-4990 (SD)

Dear Mr. Swierc:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-402955352*) dated January 29, 2004; (ii) Mr. Michael E. Stogner's, Engineer/Chief Hearing Officer with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico, telephone conversation with Ms. Betsy Luna on Thursday, January 29, 2004; and (iii) the Division's records in Santa Fe: all concerning Clayton Williams Energy, Inc.'s ("CWI") request for an unorthodox "infill" oil well location in both the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) (**28509**) and East Empire-Yeso (**96610**) Pools for CWI's proposed State "20-B" Well No. 19 to be drilled 1010 feet from the North line and 2310 feet from the East line (Unit B) of Section 20, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

Oil production from both the Grayburg-Jackson and East Empire-Yeso Pools are to be included within the existing standard 40-acre oil spacing and proration unit for both intervals comprising the NW/4 NE/4 of Section 20, which production and units are currently dedicated to CWI's:

- (i) State "20-B" Well No. 5 (API No. **30-015-30922**), located at a standard oil well location 990 feet from the North line and 1650 feet from the East line of Section 20; and
- (ii) State "20-B" Well No. 7 (API No. **30-015-31052**), located at a standard infill oil well location 330 feet from the North line and 2310 feet from the East line of Section 20.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

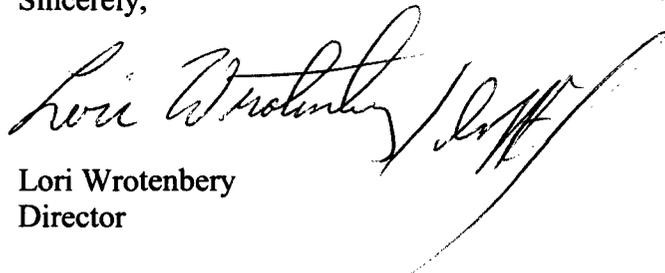
It is the Division's understanding that the NE/4 of Section 20 is a single state lease issued by the New Mexico State Land Office (State Lease No. B-06846) with common mineral interest in which CWI is the leasehold operator.

It is further understood this unorthodox location is desirable from an engineering standpoint in that this location is approximately equidistance to other offsetting Grayburg-Jackson and Yeso oil producers within its State "20-B" lease. Furthermore, topographic conditions further restricts placement of a drilling pad in Unit "B" of Section 20. Approval of the proposed unorthodox oil well location will enable them to further develop and deplete the Grayburg-Jackson and Yeso intervals within the State "20-B" lease that might not otherwise be recovered, thereby preventing waste.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox infill oil well location within both the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) and East Empire-Yeso Pools for CWI's proposed State "20-B" Well No. 19 is hereby approved.

Further, the existing State "20-B" Wells No. 5 and 7 and the proposed State "20-B" Well No. 19 are to be simultaneously dedicated in both pools to the subject 40-acre unit.

Sincerely,



Lori Wrottenberg
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Ms. Betsy Luna, Clayton Williams Energy, Inc. - Midland, TX (Fax No. 432-682-6324)