



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

October 3, 2000

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attention: Larry Sanders

Administrative Order NSL-4510

Dear Mr. Sanders:

Reference is made to the following: (i) your application dated September 28, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Phillips Petroleum Company's ("Phillips") request to drill its West Maljamar "7" Well No. 1 1669 feet from the South line and 1422 feet from the East line (Unit J) in Section 7, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico, in order to test: (i) the deeper Atoka and Morrow formations for gas within the S/2 equivalent of Section 7, being a standard 323.16-acre lay-down gas spacing and proration unit for deep wildcat gas production in southeast New Mexico; and (ii) the shallower Wolfcamp formation for oil within the NW/4 SE/4 of Section 7, being a standard 40-acre oil spacing and proration unit for wildcat Wolfcamp oil production.

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.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed location will be at a more favorable geologic position within the Atoka formation, thereby increasing the likelihood of encountering commercial quantities of gas from this zone. Pursuant to Division Rule 104.C (2), as revised, this location is standard within the 323.16-acre gas spacing and proration unit; however, pursuant to Rule 104.B (1), as revised, the resulting oil well location is considered to be unorthodox for the 40-acre Wolfcamp oil test.

It is understood that the S/2 NW/4 equivalent and S/2 equivalent of Section 7 is a single state lease issued by the New Mexico State Land Office (State Lease No. B-02229) in which Phillips is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract other than Phillips.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox Wolfcamp oil well location within the above-described 40-acre standard oil spacing and proration unit for the West Maljamar "7" Well No. 1 is hereby approved.

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 - Hobbs
New Mexico State Land Office - Santa Fe