



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

May 8, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Elk Oil Company
P. O. Box 310
Roswell, New Mexico 88202
Attention: Joseph J. Kelly

Telefax No. (505) 623-5001

Administrative Order NSL-4588

Dear Mr. Kelly:

Reference is made to the following: (i) your initial application dated April 16, 2001; (ii) your telefaxed letter dated May 7, 2001 with supplemental data; (iii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer on Monday, May 7, 2001; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the file on Case No. 11046: all concerning Elk Oil Company's ("Elk") request for an unorthodox wildcat gas well location in both the Wolfcamp and deeper Pennsylvanian formations for the plugged and abandoned Primero Operating, Inc. Hi-Way State Well No. 1 (API No. 30-005-63021), located 2417 feet from the South line and 2245 feet from the East line (Unit J) of Section 36, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

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 12119 on August 12, 1999.

The Hi-Way State Well No. 1 was originally drilled to a total depth of 6,881 feet in 1994 by Primero Operating, Inc. in order to test the lower Devonian formation within a standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 of Section 36 for oil whereby it tested dry and was subsequently plugged and abandoned. This location, being unorthodox for the 40-acre unit, was to be the subject of a hearing before the Division on August 4, 1994; however, this case was dismissed.

It is our understanding that Elk now intends to reenter this well and test the shallower wildcat Pennsylvanian and Wolfcamp intervals within a standard stand-up 320-acre gas spacing and proration unit comprising the E/2 of Section 36.

It is further understood that all of Section 36 is a single state lease issued by the New Mexico State Land Office (State Lease No. V-04978) in which Elk is the leasehold operator; therefore, there are no effected offsets to the subject 320-acre tract other than Elk.

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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox wildcat gas well location to both the Wolfcamp and Pennsylvanian formations within this 320-acre unit is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery" followed by a large, stylized flourish or set of initials.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe