



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 4, 2002

Cortez Operating Company
c/o Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-4816

Dear Mr. Carr:

Reference is made to your application received by the New Mexico Oil Conservation Division (Division) on December 3rd 2002, for an unorthodox oil well location for Cortez Operating Company's (formerly Home-Stake Oil & Gas Company) Sarah Johnson Well No. 2 in the Drinkard formation, Drinkard Oil Pool.

Said well is deviated in direction with the Drinkard formation within the well bore located 1525 feet from the South line and 2340 feet from the East line (Unit J) of Section 22, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico. This well is dedicated to a standard 40-acre oil spacing and proration unit in the Drinkard formation comprising the NW/4 SE/4 of said Section 22.

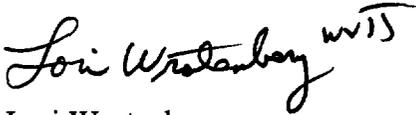
This well was originally drilled targeting the Silurian formation in the Undesignated South McCormack-Silurian Pool at a non-standard location, approved with Division Order NSL-4259. This well was unsuccessful in the Silurian and plugged back by Home-Stake Oil & Gas Company to a non-standard location within the Drinkard Oil Pool. Said non-standard location being 300 feet from the West line and 205 feet from the South line of the dedicated 40-acre NW/4 SE/4 acreage.

The application has been duly filed under the provisions of Rule 104.F of the Rules and Regulations of the Division and waivers of objection have been received from affected parties to the South and the West.

By authority granted me under the provisions of Rule 104.F(2), as revised, the above-described unorthodox well location is hereby **approved**.

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Cortez Operating Company
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Sincerely,



Lori Wrotenbery
Director

LW/wvjj

cc: New Mexico Oil Conservation Division – Hobbs
Cortez Operating Company, Todd Laney – Plano, Texas