

OLD-ARTESIA



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 25, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Cabal Energy Corporation
c/o **Holland & Hart LLP**
P. O. Box 22508
Santa Fe, New Mexico 87504-2208

RECEIVED

SEP 01 2004

OGD-ARTESIA

Attention: Michael H. Feldewert
mfeldewert@hollandhart.com

Administrative Order NSL-5100

Dear Mr. Feldewert:

30-015-33582

Reference is made to the following: (i) your application on behalf of the operator, Cabal Energy Corporation ("Cabal") dated August 17, 2004 (*administrative application reference No. pSEM0-423126182*); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe, late Friday afternoon, August 20, 2004, requesting preferential treatment for your application; (iii) your e-mail with a copy of an *Application for Permit to Drill or Reenter* ("APD") for Cabal's Palms "20" Federal Com. Well No. 1 dated October 15, 2003 and approved by the Carlsbad Field Office of the U. S. Bureau of Land Management July 27, 2004; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Cabal request to drill its aforementioned Palms "20" Federal Com. Well No. 1 at a non-standard deep gas well location to be applicable to any and all formations and/or pools:

- (1) developed on 320-acre spacing; and
- (2) governed under the provisions of either Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which presently includes but are not necessarily limited to the Undesignated East Lake McMillan-Wolfcamp Gas Pool (79925), Undesignated McMillan-Upper Pennsylvanian Gas Pool (81283), McMillan-Atoka Gas Pool (81210), and East Lake-Morrow Gas Pool (79933).

The W/2 of Section 20, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico is to be dedicated to the Palms "20" Federal Com. Well No. 1 in order to form a standard 320-acre stand-up deep gas spacing unit in southeast New Mexico pursuant to Division Rule 104.C (2), as revised.

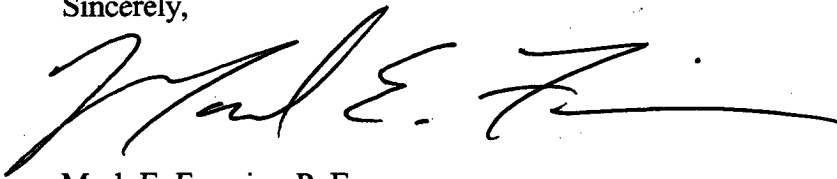
This application has been duly filed under the provisions of Division Rule 104.F, as revised.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the following described well to be drilled at an unorthodox deep gas well location within this 320-acre unit is hereby approved:

Palms "20" Federal Com. Well No. 1
2130' FNL & 1880' FWL (Unit F).

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a long horizontal flourish extending to the right.

Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad