



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 5, 2007

Fasken Oil & Ranch, Ltd.
c/o Mr. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501



Attention: Mr. Thomas Kellahin, Attorney

Re: **El Paso "3" Federal Well No. 1**
API No. 30-015-20906
2724' FNL & 2870' FEL, Lot 27, Unit K,
Irregular Section 3, T-21 South, R-26 East, NMPM,
Eddy County, New Mexico

Administrative Order NSL-604-B

Dear Mr. Kellahin:

Reference is made to the following:

- (a) your application on behalf of Fasken Oil & Ranch, Ltd. ("applicant") for a non-standard well location (*administrative application referenece No. pTDS0701734480*) for the El Paso "3" Federal Well No. 1 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on January 16, 2007; and
- (b) the Division's records pertinent to your request.

The applicant requests approval of an unorthodox gas well location for its **existing** El Paso "3" Federal Well No. 1 in either the Undesignated Avalon-Upper Pennsylvanian Gas Pool (71000) or the Undesignated North Avalon-Upper Pennsylvanian Gas Pool (71040) which has been drilled 2724 feet from the North line and 2870 feet from the East line (Lot 27, Unit K) of Irregular Section 3, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico. A standard 317.24-acre lay down spacing unit comprising the Middle Third of Irregular Section 3 is to be dedicated to the well.

Your application and Division records show that the El Paso "3" Federal Well No. 1 previously produced as a gas well in the Avalon-Strawn, Avalon-Morrow, and Calabaza Draw-Atoka Gas Pools, and as an oil well in the Wolfcamp formation. Division Orders No. NSL-604 dated June 4, 1973, and NSL-604-A dated January 14, 2004, granted approval for the well location in the Strawn, Morrow, Atoka and Wolfcamp formations.

It is our understanding that the subject well will now be recompleted from the Wolfcamp formation to the Upper Pennsylvanian interval.

Both the Avalon-Upper Pennsylvanian and North Avalon-Upper Pennsylvanian Gas Pools are currently governed by Division Rule 19.15.3.104(C).

The affected offset acreage is the North Third of Irregular Section 3.

The applicant stated that all of Irregular Section 3 is subject to a Joint Operating Agreement ("JOA") that designates Fasken Oil & Ranch, Ltd. as operator. Consequently, there are no adversely affected offset operators and/or interest owners. Therefore, the applicant was not required, and did not provide notice of this application to any party.

Division records show that the El Paso "3" Federal Well No. 1 will be the only well producing at this time from the Upper Pennsylvanian formation within the Middle Third of Irregular Section 3.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Undesignated Avalon-Upper Pennsylvanian Gas Pool and/or the Undesignated North Avalon-Upper Pennsylvanian Gas Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management-Carlsbad