



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 13, 1998

Petroleum Development Corporation
c/o EnergyPro, Inc.
500-A South Hangar Drive
Georgetown, Texas 78628
Attention: Don C. Pfister

Administrative Order NSL-3931(BHL)

Dear Mr. Pfister:

Reference is made to your application on behalf of the operator, Petroleum Development Corporation, dated December 18, 1997, for a non-standard subsurface oil producing area/bottomhole oil well location, pursuant to Division General Rule 104.F and 111.C(2) to be applicable to the East Echol-Devonian Pool, for the existing PEDCO-State Well No. 1 (API No. 30-025-07102), located at a standard surface location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 16, Township 11 South, Range 38 East, NMPM, Lea County, New Mexico. The NE/4 NW/4 (Unit C) of said Section 16, being a standard 40-acre oil spacing and proration unit for pool is to be dedicated to said well.

It is our understanding from the Division records that said well was originally drilled by Cities Service Oil Company as the State "BE" Well No. 1 in 1957 to a total depth of 12,089 feet and completed within the East Echol-Devonian Pool. In 1964 after producing a total of 117,554 barrels of oil said well was plugged and abandoned.

Per your application, Petroleum Development Corporation, at this time, intends to re-enter the wellbore, kick-off from vertical, and directionally drill to a bottomhole location within the East Echol-Devonian Pool at an unorthodox bottomhole location in order to further develop remaining reserves left in this pool.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the NW/4 of said Section 16 to adequately drain reserves within the productive interval that might not otherwise be produced. Further, the NW/4 of said Section 16 is a single State lease (Lease No. V-0813) in which Petroleum Development Corporation is the leasehold operator; therefore, there are no affected offsets to the subject 40-acre tract than themselves.

The applicable drilling window or "producing area" within the East Echol-Devonian Pool for said wellbore shall include that area within the subject 40-acre oil spacing and proration unit comprising the NE/4 NW/4 (Unit C) of said Section 16 that is: