



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 30, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Preston Exploration, LLC
c/o **R. K. Ford & Associates, Inc.**
415 West Wall – Suite 1700
Wilco Building
Midland, Texas 79701

Attention: Sandra Nobles

Administrative Order NSL-5028

Dear Ms. Nobles:

Reference is made to the following: (i) your original application (***administrative application reference No. pMES0-401330474***) on behalf of Preston Exploration, LLC ("Preston") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on January 12, 2004; (ii) my initial response by letter dated January 29, 2004 **denying** this application; (iii) your re-submittal of this application dated March 2, 2004; and (vi) the Division's records in Santa Fe and Artesia, which included an independent search by Division staff of records in the public domain (i.e. topographic maps, aerial photos, and personal knowledge and familiarity of the immediate area): all concerning Preston's request for an unorthodox gas well location in both the Atoka and Morrow formations for its proposed San Remo "32" Well No. 1 to be drilled 1980 feet from the North line and 2130 feet from the West line (Unit F) of Section 32, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 32, being a standard 320-acre lay-down deep gas spacing unit pursuant to Division Rule 104.C (2) within both the Undesignated POW-Morrow Gas Pool (83040) and Undesignated POW-Atoka Gas Pool (97624), is to be dedicated to this well.

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

The proposed unorthodox location is necessary to minimize disturbance to residences within the immediate area.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep gas well location for Preston's proposed San Remo "32" Well No. 1 in both the Atoka and Morrow formations within this 320-acre unit comprising the N/2 of Section 32 is hereby approved.

IT HOWEVER SHALL BE NOTED for future reference, R. K. Ford & Associates, Inc., as a prudent and reputable applicant, must provide adequate supporting data to complete an application, otherwise all request for administrative relief from the Division's rules filed by R. K. Ford & Associates, Inc. will automatically be set for hearing.

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

Sincerely,

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

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
Preston Exploration, LLC – The Woodlands, Texas