



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 3, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Great Western Drilling, Ltd.
c/o **Holland & Hart L.L.P.**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-5049

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Great Western Drilling, Ltd. ("GWD"), dated April 12, 2004 (***administrative application reference No. pMES0-412052196***); and (ii) the Division's records in Santa Fe and Artesia: all concerning GWD's request for an exception to the well location requirements provided within the "*Special Rules and Regulations for the Atoka-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-8170, as amended, for an off-pattern non-standard replacement deep Pennsylvanian gas well location within a former standard 320-acre stand-up gas spacing and proration unit comprising the E/2 of Section 19, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian (Prorated) Gas Pool (**70800**), Eddy County, New Mexico.

This application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 605; and (iii) the special pool rules governing the Atoka-Pennsylvanian Gas Pool.

From the Division's records, initial development of the Atoka-Pennsylvanian Gas Pool within this 320-acre unit commenced in 1960-61 when Martin, Williams, Judson of Midland, Texas (MWJ Producing Company) drilled and completed its Hondo "LFE" Well No. 1 (**API No. 30-015-00211**) at a standard gas well location 990 feet from the South and East lines (Unit P) of Section 19. Atoka-Pennsylvanian deep gas production ceased in this well in April, 1992, and in August, 1992 MWJ Producing Company plugged and abandoned this well.

The geologic interpretation submitted with this application indicates that a replacement well drilled at the proposed location will be at a more favorable geologic position within the Middle Morrow "B" sand channel than a well drilled at a location considered to be standard within the proposed 320-acre unit.

By authority granted me under the provisions of Division Rules 605.B (2) (b) and 104.F (2) and the applicable provisions of the special pool rules governing the Atoka-Pennsylvanian Gas Pool, the following described well to be drilled as a replacement Pennsylvanian gas well on this 320-acre gas spacing and proration unit at an off-pattern non-standard deep gas well location is hereby approved:

Great Western Drilling, Ltd.
May 3, 2004
Page 2

Division Administrative Order NSL-5049

**Coats Com. Well No. 1
990' FN & EL (Unit A).**

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
U. S. Bureau of Land Management - Carlsbad