



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

November 30, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Patterson Petroleum, L. P.
1004 North Big Spring – Suite 523
Midland, Texas 79701

Attention: Joe Fitzgerald
fitzgeraldj@patenergy.com

Administrative Order NSL-5140

Dear Mr. Fitzgerald:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-432349681*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on November 18, 2004; (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe on Wednesday afternoon, November 24, 2004; and (iii) the Division's records in Santa Fe.

The Division Director Finds That:

(1) Patterson Petroleum, L. P. ("Patterson"), as operator, proposes to drill its Duncan "32" State Well No. 1 (API No. 30-025-36942) at a location that is 2245 feet from the North line and 660 feet from the East line (Unit H) of Section 32, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, to a depth of 13,800 feet, which is sufficient to test the Morrow formation.

(2) Pursuant to Patterson's request, the four zones of interest for this well are the deeper Atoka and Morrow gas bearing formations and the shallower oil producing Abo and Wolfcamp formations.

(3) Patterson therefore seeks exceptions to the applicable well location set-back requirements governing all four of the aforementioned intervals for its Duncan "32" State Well No. 1, which is to be dedicated to the following described spacing/proration units:

- (a) the E/2 of Section 32 to form a standard 320-acre stand-up deep gas spacing unit for both the Undesignated West Vacuum-Atoka Gas Pool (97326) and the designated and Undesignated Vacuum-Morrow Gas Pool (86840), pursuant to Division Rule 104.C (2);

- (b) the S/2 NE/4 of Section 32 to form a standard 80-acre lay-down oil spacing and proration unit in the Undesignated North Vacuum-Abo Pool (61760), pursuant to Rule 2 of the "Special Rules and Regulations for the North Vacuum-Abo (Oil) Pool," as promulgated by Division Order No. R-2421, as amended; and
- (c) the SE/4 NE/4 (Unit H) of Section 32 to form a standard 40-acre oil spacing and proration unit in the Undesignated East Corbin-Wolfcamp Pool (13310), pursuant to Division Rule 104.B (1).

(4) From the information provided and per your telephone conversation with Mr. Stogner, the proposed well will be located on State Lease No. B-143-5 comprising the NE/4 of section 32, and is being communitized with the SE/4 of Section 32, which comprises a portion of State Lease No. B-1448-2, in order to form the above-described stand-up 320-acre (E/2) deep Atoka/Morrow gas spacing unit. State Lease No. B-143-5 is owned by Burgundy Oil & Gas of New Mexico, Inc. ("Burgundy") and has further entered into a term assignment with BP America Production Company ("BP") for all rights below the base of the San Andres formation. State Lease No. B-144-8 is owned by BP. Under a separate agreement Patterson, BP, and ConocoPhillips Company have entered into an Operating Agreement covering the E/2 of Section 32 as to all rights below the base of the San Andres formation, naming Patterson as the operator; thereby making the E/2 common ownership between Patterson, ConocoPhillips Company, and BP as to all rights below the San Andres formation.

(5) BP, as Patterson's partner has chosen the proposed location based on 3-D seismic data survey, whereby the location will be at a more favorable geologic position within the deeper gas-bearing Morrow interval than a well drilled at a location considered to be standard within the E/2 of Section 32.

(6) The subject application has been duly filed under the provisions of Division Rule 104.F (2) and Rule 3 of the special pool rules for the North Vacuum-Abo Pool.

(7) The subject application, which serves to prevent waste and protects correlative rights and being in the best interest of conservation, should be approved.

It Is Therefore Ordered That:

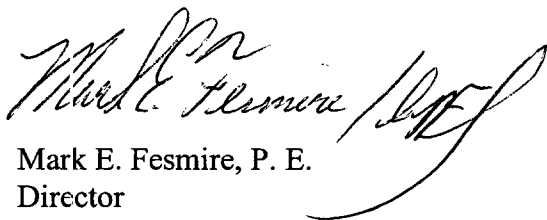
(1) Patterson Petroleum, L. P. ("Patterson") is hereby authorized to drill its proposed Duncan "32" State Well No. 1 (**API No. 30-025-36942**) at a location that is 2245 feet from the North line and 660 feet from the East line (Unit H) of Section 32, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, to a depth of 13,800 feet in order to test the deeper Atoka and Morrow formations for gas production and the shallower Abo and Wolfcamp formations for oil.

(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 32:

- (a) the E/2 to form a standard 320-acre stand-up deep gas spacing unit for both the Undesignated West Vacuum-Atoka Gas Pool (**97326**) and the designated and Undesignated Vacuum-Morrow Gas Pool (**86840**);
- (b) the S/2 NE/4 of Section 32 to form a standard 80-acre lay-down oil spacing and proration unit in the Undesignated North Vacuum-Abo Pool (**61760**); and
- (c) the SE/4 NE/4 (Unit H) of Section 32 to form a standard 40-acre oil spacing and proration unit in the Undesignated East Corbin-Wolfcamp Pool (**13310**).

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe