



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

April 13, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Latigo Petroleum, Inc.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504-1056

Administrative Order NSL-5195

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Latigo Petroleum, Inc. ("Latigo") that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 30, 2005 (*administrative application reference No. pSEM0-508948439*); and (ii) the Division's records in Santa Fe: all concerning Latigo's request for an exception to Rule 2 (b) of the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D, and R-9922-E and the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended, for an unorthodox location within a standard 320-acre stand-up spacing and proration unit comprising the W/2 of Section 36, Township 21 South, Range 24 East, NMPM, Undesignated Indian Basin-Upper Pennsylvanian Associated Pool (**33685**), Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rule 104.F and Rule 2 (c) of the Division's associated pool rules.

This 320-acre spacing and proration unit is to be simultaneously dedicated to Latigo's:

- (a) recently drilled Two Marks "36" State Well No. 1 (**API No. 30-015-33622**), located at a standard location 660 feet from the South line and 760 feet from the West line (Unit M) of Section 36; and
- (b) proposed Two Marks "36" State Well No. 2 (**API No. 30-015-33744**), to be drilled at an unorthodox location 660 feet from the South line and 2080 feet from the West line (Unit N) of Section 36.

The geologic interpretation submitted with this application indicates that Latigo's Two Marks "36" State Well No. 2 drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the potentially productive interval of the Cisco/Canyon formations than a well drilled at a location considered to be standard within the lower southeastern portion of this 320-acre spacing and proration unit.

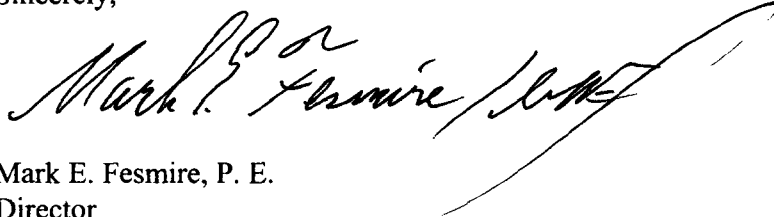
By the authority granted me under the applicable provisions of the special pool rules governing the Indian Basin-Upper Pennsylvanian Associated Pool and Division Rule 104.F (2), the above-described unorthodox location for Latigo's proposed Two Marks "36" State Well No. 2 is hereby approved.

Further, both aforementioned wells and 320-acre spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Indian Basin-Upper Pennsylvanian Associated Pool.

Latigo is further authorized to simultaneously dedicate production attributed to the Undesignated Indian Basin-Upper Pennsylvanian Associated Pool from the aforementioned Two Marks "36" State Wells No. 1 and 2. Furthermore, Latigo is permitted to produce the allowable assigned the subject 320-acre spacing and proration unit from both wells in any proportion.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a long, sweeping horizontal stroke extending to the right.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe