



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 04, 2005

Zia Energy, Inc.
c/o Plantation Petroleum Companies
2203 Timberloch Place, Suite 229
The Woodlands, Texas 77380

Attention: Don Dotson:

Administrative Order NSL-5202

Dear Mr. Dotson:

Reference is made to the following:

(i) your original application (**administrative application reference No. pSEM0510234109**) submitted to the New Mexico Oil Conservation Division ("Division") on April 01, 2005;

(ii) the letter of April 25, 2005, to you from Mr. Michael Stogner, Engineer with the Division in Santa Fe, denying your initial application;

(iii) the supplemental data submitted by telefax on May 2, 2005 containing necessary and relevant information to complete your application; and

(iv) the Division's records in Santa Fe and Hobbs: all concerning Zia Energy's request for an unorthodox oil well location in the Undesignated Southwest Eunice-San Andres Pool (Oil 24180) for its proposed Greenwood Well No. 24 to be drilled 2180 feet from the South line and 1500 feet from the East line (Unit J) of Section 9, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

The Division Director Finds That:

(1) The subject application has been duly filed under the provisions of Division Rules 104.F;

(2) the Southwest Eunice-San Andres Pool is currently governed by Division Rule 104.B (1), which provides for 40-acre oil spacing and proration unit, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;

(3) Zia Energy cannot drill this well at a standard oil well location 1650 feet from the East line and 2310 feet from the South line due to Sid Richardson's pipeline to the North and Duke

Energy's pipeline to the West;

(4) the existing BEC and Exxon well pads cannot be used because of the above ground power lines that prohibit moving drilling rigs to those locations;

(5) Zia Energy's Greenwood 320-acre lease encompasses the S/2 of Section 9, Township 22 South, Range 37 East, and all interest owners are identical across this 320-acre Greenwood lease;

(6) the recoverable reserves will be maximized by drilling in the proposed unorthodox oil well location; and

(7) It appearing that the applicant has satisfied all of the appropriate requirements of Rule 104.F, and satisfied all the concerns raised by Michael Stogner in his letter of April 25, 2005, the subject application should be approved.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Southwest Eunice-San Andres oil well location for Zia Energy's proposed Greenwood Well No. 24 is hereby approved.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
DIRECTOR

MEF/re

cc: New Mexico Oil Conservation Division - Hobbs