



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 11, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Nearburg Exploration Company, L.L.C.

c/o Holland & Hart LLP

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSP-1890

Dear Mr. Carr:

Reference is made to the following: (i) your application dated April 20, 2005 (*administrative application reference No. pSEM0-511246237*) on behalf of the operator, Nearburg Exploration Company, L.L.C. ("Nearburg"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Nearburg's request for the formation of the following described non-standard 280-acre deep gas spacing unit to be applicable to any and all formations and/or pools from the top of the Wolfcamp to the base of the Morrow formation that are:

- (1) developed on 320-acre spacing; and
- (2) governed under the provisions of Division Rule 104.C (2), which presently includes but is not necessarily limited to the Undesignated McKittrick Hills-Upper Pennsylvanian Gas Pool (81160), Undesignated McKittrick Hills-Strawn Gas Pool (81200), Undesignated McKittrick Hills-Atoka Gas Pool (81120), and Undesignated McIver Ranch-Morrow Gas Pool (81070):

EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM
Section 24: SW/4, N/2 SE/4, and SW/4 SE/4.

This unit is to be dedicated to Nearburg's proposed McKittrick "24" Federal Well No. 3, to be directionally drilled from a surface location somewhere within the NE/4 of Section 24 to a subsurface location within Unit "I" of Section 24 considered to be "standard" pursuant to Division Rules 104.C (2) (a) and 111.B (3).

This application has been duly filed under the provisions of Division Rule 104.D (2).

By the authority granted me under the provisions of Division Rule 104.D (2) (b), the above-described 280-acre non-standard deep gas spacing unit for any and all formations from the top of the Wolfcamp formation to the base of the Morrow formation for Nearburg's proposed McKittrick "24" Federal Well No. 3, is hereby approved.

Nearburg Exploration Company, L.L.C.

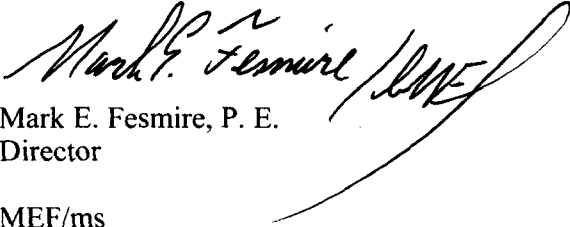
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Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a stylized flourish or set of initials.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management, Carlsbad Resource Area – Carlsbad
U. S. Bureau of Land Management, New Mexico State Office – Santa Fe
U. S. Bureau of Land Management, Roswell District Office - Roswell