



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

November 18, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Gruy Petroleum Management Company

c/o **James Bruce**

P. O. Box 1056

Santa Fe, New Mexico 87504

Administrative Order NSL-5302

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of Gruy Petroleum Management Company ("Gruy"), that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 15, 2005 (***administrative application reference No. pMES0-523657901***); (ii) the Division's initial response by e-mail from Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on Thursday, August 25, 2005; (iii) your response by e-mail on Monday, September 12, 2005 with the necessary information to complete your application; and (iv) the Division's records in Artesia and Santa Fe: all concerning Gruy's request for an exception to **Rule 4** of the "*Special Rules and Regulations for the White City-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-2429-A, as amended by Orders No. R-2429-B, C, C-1, D, and E, for its Marquardt "12" Penn Federal Well No. 2 (**API No. 30-015-34329**) recently drilled at an unorthodox infill gas well location within an existing standard 640-acre gas spacing unit comprising all of Section 12, Township 25 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool (**87280**), Eddy County, New Mexico.

This 640-acre unit is currently simultaneously dedicated to: (i) Chevron U.S.A., Inc.'s Marquardt Federal Well No. 2 (**API No. 30-015-22936**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 12; and (ii) Gruy's Marquardt "12" Penn Federal Well No. 1 (**API No. 30-015-33461**), located at a standard infill gas well location 880 feet from the South line and 1760 feet from the East line (Unit O) of Section 12.

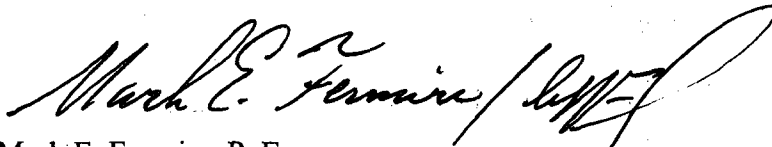
Your application has been duly filed under the provisions of: (i) Rule 5 of the special pool rules for the White City-Pennsylvanian Gas Pool; and (ii) Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the White City-Pennsylvanian Gas Pool the aforementioned Marquardt "12" Penn Federal Well No. 2, located 2310 feet from the North line and 1330 feet from the East line (Unit G) of Section 12 is hereby approved.

Pursuant to Division Rule 104.E, Gruy and Chevron U.S.A., Inc. are hereby authorized to simultaneously dedicate production attributed to the White City-Pennsylvanian Gas Pool from the three of the above-described Marquardt "12" Penn Federal Wells No. 1 and 2 and Marquardt Federal Well No. 2. Further, the aforementioned wells and 640-acre spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

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 initials.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: U. S. Bureau of Land Management – Carlsbad
New Mexico Oil Conservation Division – Artesia
Chevron U.S.A., Inc. – Houston, Texas
File: Division Administrative Application Reference No. pSEM0-522745727