



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 27, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Patterson Petroleum, L. P.
1004 N. Big Spring – Suite 523
Midland, Texas 79707

Attention: Joe Fitzgerald
Land Manager
fitzgeraldj@patenergy.com

Administrative Order NSL-5374

Dear Mr. Fitzgerald:

Reference is made to the following: (i) your application (**application reference No. pMES0-611733282**) filed electronically with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on Friday afternoon, April 21, 2006; (ii) your telephone conversation with Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe on Friday afternoon, April 21st; and (iii) the Division's records: all concerning your request for an exception to Division Rule 104.B (1) for Patterson Petroleum, L. P.'s ("Patterson") proposed Gen. Montcalm "25" State Well No. 1 (**API No. 30-025-37823**) to be drilled to an approximate depth of 13,800 feet at a location 1980 feet from the North line and 1260 feet from the East line (Unit H) of Section 25, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico.

Anticipated completions for the Gen. Montcalm "25" State Well No. 1 include the: (i) deeper Atoka and Morrow formations for gas within the E/2 of Section 25, being a standard 320-acre stand-up gas spacing unit for the Undesignated West Vacuum-Atoka Gas Pool (**97326**), Undesignated North Vacuum-Atoka Morrow Gas Pool (**86800**), and/or Undesignated Vacuum-Morrow Gas Pool (**86840**); and (ii) shallower wildcat Paddock and Abo formations and Undesignated East-Corbin-Wolfcamp Pool (**13310**) for oil within the SE/4 NE/4 (Unit H) of Section 25, being a standard 40-acre oil spacing and proration unit for said oil production.

Pursuant to Division Rule 104.C (2) the proposed location is considered to be standard for the 320-acre Atoka and Morrow gas tests, but, pursuant to Division Rule 104.B (1) is unorthodox within the 40-acre oil units.

Your application has been duly filed under the provisions of 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].

It is the Division's understanding that Patterson is seeking this location exception for the shallower potentially oil producing horizons based on seismic data, which indicates that a well drilled at the proposed location will be at a more favorable geologic position within the deeper Morrow formation than a well drilled elsewhere within the NE/4 of Section 25.

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It is further understood that all of Section 25 comprises a single State lease issued by the New Mexico State Land Office (**State lease No. B-02148-0003**) with common ownership, and that Patterson ConocoPhillips Company, and BP America Production Company have entered into an operating agreement covering the E/2 of Section 25 as to all rights below the San Andres formation. Therefore, there are no adversely effected offsets to the subject 40-acre tract within the Paddock, Abo, and Wolfcamp intervals.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox oil well location for the Paddock, Abo, and Wolfcamp formations within the standard 40-acre oil spacing and proration unit comprising the SE/4 NE/4 of Section 25 for Patterson's proposed Gen. Montcalm "25" State Well No. 1 is hereby approved.

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 long, sweeping horizontal line that extends across the page.

Mark E. Fesmire, P. E.
Director

MEF/ms

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