

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 12, 2006

Mirage Energy, Inc.
P. O. Box 860
Eunice, New Mexico 88231

Attention: Larry D. Henson

Administrative Order NSP-869-A (L)

Dear Mr. Henson:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-625534975*) dated July 24, 2006; and (ii) the New Mexico Oil Conservation Division's ("Division") records in Hobbs and Santa Fe, including the file on Division Administrative Orders NSP-869: all concerning your request to reduce the acreage of the existing 80.79-acre non-standard gas spacing unit in the Eumont Gas Pool (**76480**) comprising Lot 1 (Unit A) and the SE/4 NE/4 (Unit H) of Section 3, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, by omitting Lot 1 of Section 3 from this unit.

This 80.79-acre unit is currently dedicated to Mirage Energy, Inc.'s: (i) Shell State Com. Well No. 14 (**API No. 30-025-05883**), located 1650 feet from the North line and 990 feet from the East line (Unit H) of Section 3; and (ii) Shell State Com. Well No. 1 (**API No. 30-025-05879**), located 660 feet from the North line and 990 feet from the East line (Lot 1/Unit A) of Section 3.

It is our understanding here at the Division's Santa Fe office that such reduction of acreage is necessary due to the recent reclassification of the Shall State Com. Well No. 1 as a Eumont oil completion.

By the authority granted me under the provisions of Rules 4 (C) and (D) of the "*Special Pool Rules for the Eumont Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, the following described 40-acre non-standard Eumont gas spacing unit is hereby approved for Mirage Energy, Inc.'s Shall State Com. Well No. 14:

LEA COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 3: SE/4 NE/4 (Unit H).

Mirage Energy, Inc.
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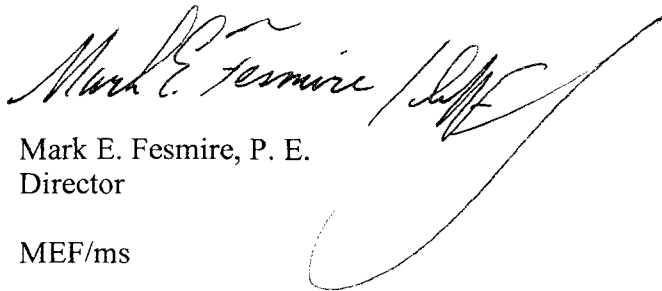
Division Administrative Order NSP-869-A (L)

Further, by the authority granted me under the provisions of Rules 4 (A) and (D) of the special rules governing the Eumont Gas Pool, the resulting unorthodox gas well location of the Shall State Com. Well No. 14 within this newly created non-standard 40-acre gas spacing unit is hereby approved.

Division Administrative Order NSP-869 is hereby placed in abeyance until further notice.

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems 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: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
File: NSP-869