

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 7, 2006

Robert L. Bayless, Producer LLC
P.O. Box 168
Farmington, New Mexico 87499

Attention: Mr. Tom McCarthy

Re: **Boeing Well No. 1**
API No. 30-045-33434
790' FNL & 504' FWL, Unit D, (Lot 4)
Section 2, T-26 North, R-8 West, NMPM,
San Juan County, New Mexico

Administrative Order NSL-5478

Dear Mr. McCarthy:

Reference is made to the following:

- (a) Robert L. Bayless, Producer LLC's ("Bayless") application for a non-standard well location (*administrative application reference No. pTDS0629152371*) for the Boeing Well No. 1 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on October 18, 2006; and
- (b) the Division's records pertinent to Bayless' request.

Bayless requests authority to drill its Boeing Well No. 1 to test the **Basin-Dakota (Prorated Gas - 71599) and Blanco-Mesaverde (Prorated Gas -72319) Pools** at an unorthodox gas well location for both pools 790 feet from the North line and 504 feet from the West line (Unit D, Lot 4) of Section 2, Township 26 North, Range 8 West, NMPM, San Juan County, New Mexico. The N/2 of Section 2 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit. The Basin-Dakota and Blanco-Mesaverde Gas Pools are currently governed by special pool rules established by Division Order No. R-10987, as amended, which provide that:

- (a) a standard unit shall consist of 320 acres, more or less, comprising the N/2, S/2, E/2 or W/2 of a governmental section; and
- (b) well's shall be located no closer than 660 feet from the outer boundary of the proration unit, nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.

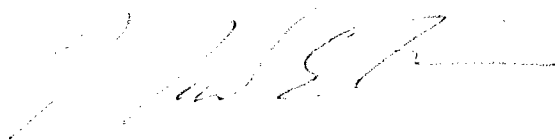
Bayless' application demonstrates that the proposed non-standard location is necessitated by topographic considerations within the NW/4 of Section 2.

Division records show that the Boeing Well No. 1 will be the first well producing from the Basin-Dakota and Blanco-Mesaverde Gas Pools within the N/2 of Section 2.

All affected offset operators and/or interest owners have been provided notice of this application. No party has objected to the application within the 20-day waiting period prescribed by Division Rule No. 19.15.3.104(F).

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Blanco-Mesaverde and Basin-Dakota Gas Pools is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division - Aztec
State Land Office-Oil & Gas Division