



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 8, 2006

Fairway Resources Operating, LLC
c/o Mr. Matt Eagleston
President and CEO
538 Silicon Dr., Suite 101
Southlake, TX 76092

Administrative Order NSL-5522

Re: Midnight Matador Well No. 7
Unit H, Section 35, Twsp 17S, Range 27E
Eddy County

Dear Mr. Eagleston:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS-0633852472**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 4, 2006, and

(b) the Division's records pertinent to your request.

Fairway Resources Operating, LLC (Fairway) has requested to drill its Midnight Matador Well No. 7 at an unorthodox Queen, Grayburg and San Andres oil well location, 1470 feet from the North line and 850 feet from the East line (Unit H) of Section 35, Township 17 South, Range 27 East, N.M.P.M., in Eddy County, New Mexico. The SE/4 NE/4 of Section 35 will be dedicated to this well to form a standard 40-acre spacing and proration unit in the Red Lake-Queen/Grayburg/San Andres Pool (51300). This location is governed by statewide Rule 104.B(1), which provides that a well shall be located at least 330 feet from the outer boundary of a unit. The location is approximately 150 feet from the northern boundary of the proposed unit.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

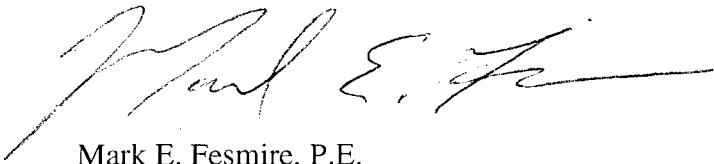
It is our understanding that Fairway is seeking this location exception in order to comply with location requirements of the United States Bureau of Land Management.

We also understand that ownership of the adjoining spacing unit toward which this location encroaches (NE/4 NE/4 of Section 35) is identical to the ownership of the proposed unit.

Pursuant to the authority of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

Jurisdiction of this case 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", with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad