



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 11, 2007

Fairway Resources
538 Silicon Drive
Suite 101
Southlake, Texas 76092

Attention: Mr. Kenneth Pearce

Re: **Midnight Matador "A" Well No. 3**
API No. N/A
1500' FNL & 2290' FEL, Unit G,
Section 35, T-17 South, R-27 East, NMPM,
Eddy County, New Mexico

Administrative Order NSL-5633

Dear Mr. Pearce:

Reference is made to the following:

(a) Fairway Resources' ("Fairway") application for a non-standard well location (*administrative application reference No. pCLP0714232996*) for the Midnight Matador "A" Well No. 3 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 18, 2007; and

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

Fairway requests approval of an unorthodox oil well location for its Midnight Matador "A" Well No. 3 in the Red Lake Queen-Grayburg-San Andres Pool (Oil - 51300) which is to be drilled 1500 feet from the North line and 2290 feet from the East line (Unit G) of Section 35, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico. The SW/4 NE/4 of Section 35 is to be dedicated to the well in the Red Lake Queen-Grayburg-San Andres Pool forming a standard 40-acre oil spacing and proration unit.

The Red Lake Queen-Grayburg-San Andres Pool is currently governed by Division Rule No. 19.15.3.104(B).

Geologic and engineering evidence submitted by the applicant demonstrates that a well at the proposed unorthodox location can recover additional reserves that may otherwise not be recovered by existing wells surrounding this location.

It is our understanding that Federal Lease No. LC-055561 encompasses the subject proration unit and the affected offset acreage, and that the interest ownership within this area is common throughout. Since this lease is commonly owned, there are no adversely affected offset operators and/or interest owners, consequently, the applicant is not required, and did not provide notice of this application to any party.

Division records show that there is currently only one other well producing from the San Andres formation within the SW/4 NE/4 of Section 35. This well is the Fairway Resources Midnight Matador "A" Well No. 1Q (API No. 30-015-34385).

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox oil well location in the Red Lake Queen-Grayburg-San Andres Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: OCD-Artesia
 Bureau of Land Management-Carlsbad