



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 19, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Lynx Petroleum Consultants, Inc.

P. O. Box 1708

Hobbs, New Mexico 88241

Attention: Larry R. Scott

Administrative Order NSL-2128-A

Dear Mr. Scott:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-617435044*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 22, 2006; and (ii) the Division's records in Hobbs and Santa Fe, including the file on Division Administrative Orders NSL-2128 and SWD-426: all concerning Lynx Petroleum Consultants, Inc.'s ("Lynx") request for an exception to Rule 4 of the "Special Rules and Regulations for the Scharb-Bone Springs Pool," as promulgated by Division Order No. R-2589, as amended, for the existing Sprinkle Federal Well No. 3 (**API No. 30-025-28521**) to be recompleted as a replacement Bone Spring oil well within a standard 80-acre stand-up oil spacing and proration unit comprising the E/2 NE/4 of Section 9, Township 19 South, Range 35 East, NMPM, Scharb-Bone Spring Pool (**55610**), Lea County, New Mexico, at an unorthodox oil well location 1650 feet from the North line and 460 feet from the East line (Unit H) of Section 9.

Your application has been duly filed under the provisions of: (i) Rule 5 of the "Special Rules and Regulations for the Scharb-Bone Springs Pool"; (ii) Division Rule 104.F; and (iii) Division Rule 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].

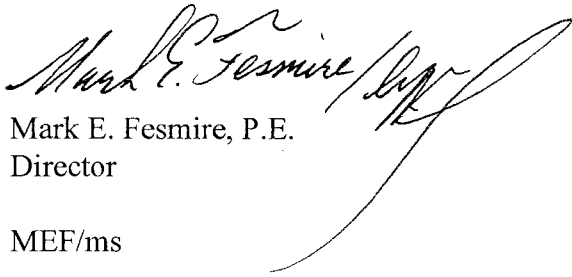
Development of Bone Spring oil production within this 80-acre unit commenced in 1983 when Poe Properties, Inc. ("Poe") drilled its Sprinkle Federal Well No. 1 (**API No. 30-025-28221**) at a standard oil well location 2063 feet from the North line and 841 feet from the East line (Unit H) of Section 9. In 1986 Poe recompleted its existing Sprinkle Federal Well No. 2 (**API No. 30-025-28520**) as an infill Bone Spring well within this 80-acre unit at an unorthodox oil well location (approved by Division Administrative Order NSL-2128, dated August 21, 1985) 660 feet from the North line and 330 feet from the East line (Unit A) of Section 9. According to the Division's records the Sprinkle Federal Well No. 2 last produced in February, 1993 and will soon be plugged and abandoned. It is also understood that the Sprinkle Federal Well No. 1 has recently suffered down-hole mechanical problems and will also be plugged and abandoned.

The above-described Sprinkle Federal Well No. 3 was initially drilled by Poe in 1984 to a total depth of 10,800 feet and completed in the Wolfcamp formation at a standard oil well location within a 40-acre standard oil spacing and proration for the Scharb-Wolfcamp Pool (55640). In 1991 this well was converted into a saltwater disposal well, see Division Administrative Order SWD-426, dated June 12, 1991. The Division understands that Lynx at this time proposes to recomplete the No. 3 well up-hole into the Bone Spring formation to deplete remaining reserves underlying this 80-acre unit.

By the authority granted me under the applicable provisions of the special pool rules governing the Scharb-Bone Springs Pool and Division Rule 104.F (2), the above-described Sprinkle Federal Well No. 3 to be recompleted into the Bone Spring formation as a replacement well within the E/2 NE/4 of Section 9 at an unorthodox oil well location is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management -- Carlsbad
File: NSL-2128
SWD-426
