

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 19, 2004

Mission Resources Corporationc/o **Holland & Hart LLP****P. O. Box 2208****Santa Fe, New Mexico 87504-2208****Attention: William F. Carr**

wcarr@hollandhart.com

Administrative Order NSP-1878 (SD)

Dear Mr. Carr:

Reference is made to the following: (i) your application (**administrative application reference No. pSEM0-420941937**) on behalf of the operator, Mission Resources Corporation ("Mission"), dated July 22, 2004; and (ii) the New Mexico Oil Conservation Division's ("Division") records in Santa Fe, including the files on Division Administrative Orders NSL-2816 (SD), NSL-2816-A (SD), NSL-2816-B (SD), NSL-2816-C (SD), NSL-2816-D (SD), SD-99-07 and SD-99-07 (1) and the records of Division Cases No. 9775 (which resulted in the issuance of Division Order No. R-9073) and 12304 (which resulted in the issuance of a dismissal by Division Order No. 11352): all concerning Mission's request to decrease the acreage of an existing standard 640-acre gas spacing unit in the Jalmat Gas Pool (**79240**), comprising all of Section 8, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, by deleting therefrom the 40-acre tract comprising the NW/4 NW/4 (Unit D) of Section 8.

This unit was initially established by Division Order No. R-9073, issued in Case No. 9775 and dated December 14, 1989 [Paragraph No. (3) of Exhibit "A"]. Under Division Administrative Order NSL-2816-E (SD), dated January 24, 2002, the nine following described wells are shown to be simultaneously dedicated to this 640-acre unit:

- (1) State "A" A/C-2 Well No. 3 (**API No. 30-025-08829**), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 8, which well was the subject of Administrative Orders SD-99-7, dated June 30, 1999, SD-99-7 (1), dated March 30, 2000, and NSL-2816-D (SD), dated December 27, 2001;
- (2) State "A" A/C-2 Well No. 7 (**API No. 30-025-08830**), located at a standard infill gas well location 660 feet from the North and West lines (Unit D) of Section 8, which well was also the subject of Division Administrative Order NSL-2816-D (SD);

(3) State "A" A/C-2 Well No. 24 (API No. 30-025-08833), located at a standard infill gas well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 8, which well was also the subject of Division Administrative Orders NSL-2816 (SD), dated June 28, 1990, SD-99-7, and NSL-2816-C (SD), dated October 13, 1999;

(4) State "A" A/C-2 Well No. 25 (API No. 30-025-08834), located at a standard infill gas well location 660 feet from the North and East lines (Unit A) of Section 8, which well was also the subject of Division Administrative Order NSL-2816-C (SD);

(5) State "A" A/C-2 Well No. 26 (API No. 30-025-08835), located at a standard infill gas well location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 8, which well was also the subject of Division Administrative Order NSL-2816 (SD);

(6) State "A" A/C-2 Well No. 43 (API No. 30-025-08837), located at a standard infill gas well location 1650 feet from the North line and 990 feet from the West line (Unit H) of Section 8, which well was the subject of Division Order No. R-9073;

(7) State "A" A/C-2 Well No. 54 (API No. 30-025-08841), located at a standard infill gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 8, which well was the subject of Division Administrative Order NSL-2816-E (SD);

(8) State "A" A/C-2 Well No. 70 (API No. 30-025-28279), located at an unorthodox infill gas well location [approved by Division Administrative Order NSL-2816-B (SD), dated April 21, 1992] 1295 feet from the South and East lines (Unit P) of Section 8; and

(9) State "A" A/C-2 Well No. 76 (API No. 30-025-34672), located at a standard infill gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 8, which well was also the subject of Division Administrative Order NSL-2816-D (SD).

It is the Division's understanding that the above described State "A" A/C-2 Well No. 7 in Unit "D" of Section 8 was recently reclassified a "Jalmat oil well" and its corresponding 40-acre standard oil spacing and proration unit comprising the NW/4 NW/4 (Unit D) of Section 8 is to be omitted from the aforementioned standard 640-acre gas spacing unit at this time.

By the authority granted me under the provisions of Rules 4 (B) and (D) of the special rules governing the Jalmat Gas Pool, the following described 600-acre non-standard gas spacing unit is hereby approved:

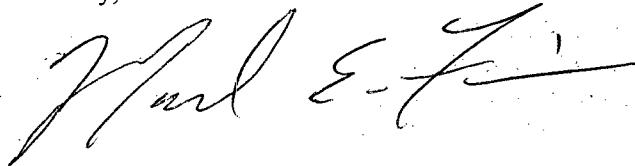
LEA COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 8: NE/4, NE/4 NW/4, S/2 NW/4, and S/2.

Also, pursuant to Rule 6 (B) of the Jalmat special pool rules, Mission is hereby authorized to simultaneously dedicate Jalmat gas production from the eight above-described State "A" A/C-2 Wells No. 3, 24, 25, 26, 43, 54, 70, and 76 to this newly formed 600-acre non-standard gas spacing unit.

All provisions applicable to this newly formed 600-acre non-standard gas spacing unit in Division Administrative Order NSL-2816-B (SD) not in conflict with this order shall remain in full force and affect until further notice. At this time Division Administrative Orders NSL-2816 (SD), NSL-2816-A (SD), NSL-2816-B (SD), NSL-2816-C (SD), NSL-2816-D (SD), NSL-2816-E (SD), SD-99-07, and SD-99-07 (1) and that portion of Division Order No. R-9073, issued in Case No. 9775 and dated October 28, 1988, which initiated this standard 640-acre Jalmat gas spacing unit comprising all of Section 8 [Paragraph No. (3) of Exhibit "A"] are all hereby placed in abeyance until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Ms. Andrea Wheeler, Information & Records Clerk - NMOCD, Santa Fe
File: NSL-2816 (SD)
NSL-2816-A (SD)
NSL-2816-B (SD)
NSL-2816-C (SD)
NSL-2816-D (SD)
NSL-2816-E (SD)
SD-99-7
Case No. 9775
Case No. 12304