



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 13, 1998

Ricks Exploration, Inc.
5600 North May - Suite 350
Oklahoma City, Oklahoma 73112-4299
Attention: Chet Collier

Administrative Order NSL-3973

Dear Mr. Collier:

Reference is made to your application dated March 12, 1998 to test the Grayburg, San Andres, Drinkard, and Abo formations with the proposed West Hobbs State Unit Well No. 1 to be drilled at an unorthodox oil well location 1120 feet from the South line and 860 feet from the East line (Unit P) of Section 8, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico. The SE/4 SE/4 of said Section 8 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for each interval.

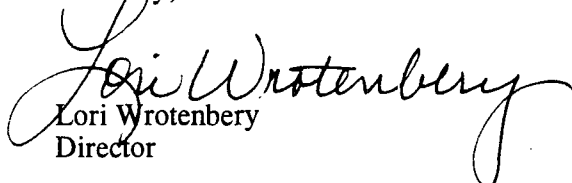
It is our understanding that the subject well is to be drilled to a total depth of approximately 8,700 feet in order to test down to the deeper Abo; moreover, the three shallower Grayburg, San Andres, and Drinkard formations are all secondary zones of interest. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the potentially productive interval of the Abo formation than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit.

Further, the 1,359.6 acre area, more or less, comprising the N/2 SE/4 of Section 5, the NE/4, S/2 NW/4, and S/2 of Section 8, and the N/2 of Section 17, all in Township 18 South, Range 37 East, NMPM, Lea County, New Mexico is the West Hobbs Unit Area, approved by Division Order No. R-10932, issued in Case No. 11886 and dated January 7, 1998. The designated operator of the West Hobbs Unit Area is Ricks Exploration, Inc. ("Ricks"); therefore, there are no affected offsets to the subject 40-acre tract other than Ricks.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location for the Grayburg, San Andres, Drinkard, and Abo formations is hereby approved.

Sincerely,


Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: Case 11886