



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

May 27, 1999

Patterson Petroleum, Inc.
410 North Loraine – Suite “B”
Midland, Texas 79701
Attention: Joe Fitzgerald

Telefax No. (915) 685-1133

Administrative Order NSL-4292

Dear Mr. Fitzgerald:

Reference is made to the following: (i) your application for an unorthodox location dated May 25, 1999; and (ii) the records of the New Mexico Oil Conservation Division (“Division”).

The Division Director Finds That:

(1) Patterson Petroleum, Inc. (“Patterson”), as operator, proposes to drill its Arrowhead State “15” Well No. 1 at a location that is 1087 feet from the North line and 1235 feet from the East line (Unit A) of Section 15, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico, to a depth of 13,800 feet, which is sufficient to test the Morrow formation;

(2) Pursuant to Patterson’s request, the primary objectives for this well are the Atoka/Morrow clastics and the Pennsylvanian Cisco carbonates, with the Paddock, Abo, and Wolfcamp formations as secondary targets;

(3) Patterson therefore seeks an exception to the applicable well location set-back requirements governing the aforementioned intervals for its Arrowhead State “15” Well No. 1, which is to be dedicated to the following described spacing and proration units:

- (a) the N/2 to form a standard 320-acre lay-down gas spacing and proration unit for the Atoka and Morrow formations [Division Rule 104.B(1)(a)]; and
- (b) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for the: (i) Paddock formation [Division Rule 104.B(1)(b)]; (ii) Abo formation [Division Rule 104.B(1)(b)]; (iii) Undesignated Leamex-Wolfcamp Pool [Division Rule 104.C(1)(a)]; (iv) Undesignated Leamex-Pennsylvanian Pool [Division Rule 104.C(1)(a)];

(4) It is the Division’s understanding that the N/2 and SE/4 of Section 15 comprise a

single state lease issued by the New Mexico State Land Office (State Lease No. B-02229) in which Phillip Petroleum Company is lessee; however, under farmout agreement Patterson is the leasehold operator of certain rights underlying this acreage;

(5) The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox location into both the Morrow and Cisco formations will be at a more favorable geologic position within the structures of both intervals than a well drilled at a location considered to be standard;

(6) The subject application has been duly filed under the provisions of Division Rule 104.F(2); and

(7) The subject application, which serves to prevent waste and being in the best interest of conservation, should be approved.

The Division Director Finds That:

(1) Patterson Petroleum, Inc. ("Patterson") is hereby authorized to drill its proposed Arrowhead State "15" Well No. 1 at an unorthodox location that is 1087 feet from the North line and 1235 feet from the East line (Unit A) of Section 15, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico, to a depth of 13,800 feet, in order to test the deeper Atoka and Morrow formations for gas production and the shallower Paddock, Abo, Wolfcamp, and Cisco formations for oil.

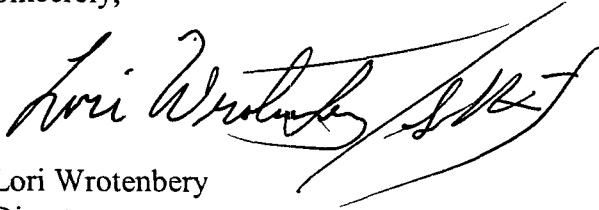
(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 15:

- (a) the N/2 to form a standard 320-acre lay-down gas spacing and proration unit for the Atoka and Morrow formations [Division Rule 104.B(1)(a)]; and
- (b) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for the: (i) Paddock formation [Division Rule 104.B(1)(b)]; (ii) Abo formation [Division Rule 104.B(1)(b)]; (iii) Undesignated Leamex-Wolfcamp Pool [Division Rule 104.C(1)(a)]; (iv) Undesignated Leamex-Pennsylvanian Pool [Division Rule 104.C(1)(a)].

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(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or signature mark.

Lori Wrotenbery
Director

LW/MES/kv

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