

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

November 6, 1989

Bannon Energy Incorporated
3934 F.M. 1960 West, Suite 240
Houston, TX 77068

Attention: W.J. Holcomb
Operating Agent

Administrative Order NSP-1586(L)

Dear Mr. Holcomb:

Reference is made to your proposals of December 22, 1988 and of September 18, 1989 to develop the Escrito Gallup Associated Pool, underlying the S/2 of Section 25, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, with four wells each having 80-acre dedication as further described below:

- 1) the W/2 SW/4 to be dedicated to the existing Mesa "25" Well No. 3R located 960 feet from the South line and 1160 feet from the West line (Unit M);
- 2) the E/2 SW/4 to be dedicated to the Mesa "25" Well No. 4 to be drilled 790 feet from the South line and 2258 feet from the West line (Unit N);
- 3) the N/2 SE/4 to be dedicated to the existing Mesa "25" Well No. 2 located at a previously approved unorthodox location (Division Administrative Order NSL-254, dated May 25, 1961) 2140 feet from the South line and 1000 feet from the East line (Unit I); and,
- 4) The S/2 SE/4 to be dedicated to the Mesa "25" Well No. 5 to be drilled 660 feet from the South line and 330 feet from the East line (Unit P).

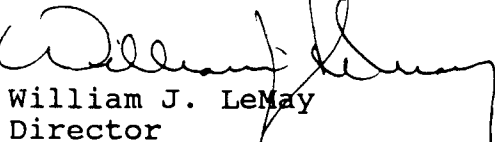
The Escrito Gallup Associated Pool is governed by the General Rules and Regulations for the Associated Oil and Gas Pools in Northwest and Southeast New Mexico, as promulgated by Division Order No. R-5353, as amended, and under Rule 2 a standard gas proration unit is 320-acres and a standard oil proration unit is 80-acres. If any of the aforementioned wells are ever classified as a gas well,

Administrative Order NSP-1586(L)
Bannon Energy Incorporated
November 6, 1989
Page 2

pursuant to Rule 5, then the dedicated acreage for the well is hereby approved as a non-standard 80-acre gas spacing and proration unit pursuant to Rule 4(b). In each case, the well locations are unorthodox as either oil or gas pursuant to Rule 2(b) and under the provisions of Rule 2(c) each well location is hereby approved as either an unorthodox oil or gas well.

It is also ordered that jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
NM Oil and Gas Engineering Committee - Hobbs
US Bureau of Land Management - Farmington
File: NSL-254
Holcomb Oil and Gas - Farmington

REMARKS: Division Administrative Order NSL-254, dated May 25, 1961, is hereby superceded by this order.