



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 3, 2004

Lori Wrotenberg

Director

Oil Conservation Division

Reata Resources, Inc./Smith & Marrs, Inc.

c/o **Dalton Bell**

811 Bullock Avenue

Artesia, New Mexico 88210-2345

Telefax No. (505) 746-2345

Administrative Order NSL-4991 (SD)

Dear Mr. Bell:

Reference is made to the following: (i) your application (***administrative application reference No. pMES0-403433238***) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe by telefax on January 30, 2004; (ii) your telephone conversations with Mr. Michael E. Stogner's, Engineer/Chief Hearing Officer with the Division in Santa Fe on Friday, January 30, 2004; and (iii) the Division's records in Santa Fe and Artesia: all concerning Reata Resources, Inc.'s ("Reata") request for an unorthodox infill oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 NW/4 (Unit F) of Section 35, Township 17 South, Range 27 East, NMPM, Empire-Yates-Seven Rivers Pool (**22230**), Eddy County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This 40-acre Yates/Seven Rivers unit is currently dedicated to the following two Smith & Marrs, Inc. operated wells:

(a) Harbold Federal Well No. 3 (**API No. 30-015-00615**), located at a standard oil well location 2310 feet from the North and West lines of Section 35; and

(b) Harbold Federal Well No. 14 (**API No. 30-015-25139**), located at a standard infill oil well location 1848 feet from the North line and 2282 feet from the West line of Section 35.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox infill oil well location within the SE/4 NW/4 (Unit F) of Section 35 is hereby approved:

**Harbold Federal Well No. 17
2260' FNL & 1590' FEL.**

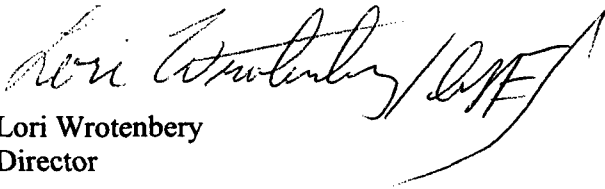
Further, both the existing Harbold Federal Wells No. 3 and 14 and the proposed Harbold Federal Well No. 17 are to be simultaneously dedicated to the subject 40-acre unit.

IT IS FURTHER ORDERED THAT upon completion of the Harbold Federal Well No. 17 in the Empire-Yates-Seven Rivers Pool, the subject 40-acre oil spacing and proration unit [SE/4 NW/4 Unit "F" of Section 35] and the two above-described Smith & Marrs, Inc. operated Harbold Federal Wells No. 3 and 14, will be changed to reflect Reata as the operator.

Failure to file the proper change of operator form, NMOCD Form No. C-104 (see Division Rule 1104.E) for the Harbold Federal Wells No. 3 and 14 within 60 days from the date of first production from the Harbold Federal Well No. 17 will result in the cancellation of allowable for this 40-acre unit.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad