



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



March 16, 2011

D Oil & Gas Properties
Attn: Mr. Vernon D. Dyer
P.O. Box 1692
Roswell, NM 88202

Administrative Order NSL-6350

Re: Marshall & Winston, Inc.
Laguna Deep Unit 35 Federal Well No. 1H
API No. 30-025-39946
2310 feet FSL & 330 feet FEL
Unit I, Section 35-19S-33E
Lea County, New Mexico

Dear Mr. Dyer:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-06228556**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Marshall & Winston, Inc. (Marshall & Winston) [OGRID 14187], on March 1, 2011, and

(b) the Division's records pertinent to this request.

Marshall & Winston has requested location approval for the above-referenced well as a horizontal well in the Bone Spring formation, due to a drilling error which has placed a portion of the horizontal wellbore at a location that is unorthodox under Division Rule 16.14.B(2). The surface location, point of penetration and terminus of the well are as follows:

Surface Location: See caption of this letter.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Point of Penetration: same as surface location

Terminus 2310 feet from the South line and 330 feet from the West line
(Unit L) of Section 35

The N/2 S/2 of Section 35 will be dedicated to the proposed well to form a project area comprising four standard, 40-acre oil spacing units in the Teas Bone Spring Pool (58960). This pool is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval is less than 330 feet from the northern boundary of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location because of a drilling error.

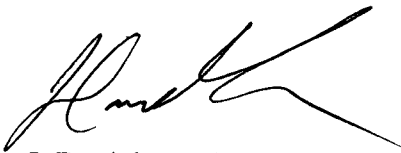
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Daniel Sanchez', with a stylized flourish at the end.

J. Daniel Sanchez
Acting Director

JDS/db

cc: New Mexico Oil Conservation Division - Hobbs
 United States Bureau of Land Management