

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
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Cabinet Secretary-Designate

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

Jami Bailey
Division Director
Oil Conservation Division



June 10, 2011

Benson-Montin-Greer Drilling Corp.
Attn: Mr. Loren Diede
4900 College Blvd
Farmington, NM 87402

Administrative Order NSL-6395

**Re: Canada Ojitos Unit Well No. 48H
API No. 30-039
927 feet FSL & 1521 feet FWL
Unit N, Section 31-26N-1W
Rio Arriba County, New Mexico**

Dear Mr. Diede:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-13629906**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 1, 2011, and re-submitted on May 12, 2011, and

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

Benson-Montin-Greer-Drilling Corp. (BMG) [OGRID 2096] has requested to drill the above-referenced well as a horizontal well in the Mancos formation, at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC]. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 927 feet from the South line and 1521 feet from the West line
(Unit N) of Section 31, Township 26 North, Range 1 West, NMPM,
Rio Arriba County, New Mexico

Point of Penetration: 1153 feet from the South line and 1713 feet from the West line
(Unit N) of said section

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



Terminus 375 feet from the North and East lines
(Unit A) of said section

All of Section 31 will be dedicated to the proposed well to form a standard, 640-acre, more or less, spacing unit and project area in the West Puerto Chiquito Mancos Pool (50440). Spacing in this pool is governed by the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as adopted by Order R-2565-B, issued on November 28, 1966, which provide for 640-acre units with wells to be located at least 1650 feet from any unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 1650 feet from the northern, eastern and southern boundaries of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

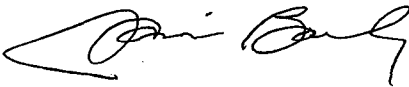
It is our understanding that you are seeking this location in order to maximize the benefit of naturally fractured reservoir characteristics, and to utilize an existing well pad. It is further understood that notice of this application to offsetting operators or owners is not required due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.15.13.B NMAC], 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 [19.15.5.9 NMAC].

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 "Jami Bailey", written over a horizontal line.

Jami Bailey
Director

JB/db

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