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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Jimmy D. Carlile
 Print or Type Name

Jimmy D. Carlile
 Signature

Regulatory Affairs Coordinator 10/22/01
 Title Date

jimmyc@for1.com
 e-mail Address

DIRECTOR'S OFFICE
 OCT 22 2001 10:10 AM

FASKEN OIL AND RANCH, LTD.

303 WEST WALL AVENUE, SUITE 1800
MIDLAND, TEXAS 79701-5116

(915) 687-1777

October 22, 2001

Mr. Michael Stogner
New Mexico Oil Conservation Division
Engineering Bureau
1220 S. St. Francis Drive
Santa Fe, NM 87505

Dear Mr. Stogner,

Re: Fasken Oil and Ranch, Ltd.
Request for Administrative Approval
Unorthodox Location, Cameron "31" Federal No. 2
Cemetery (Morrow) Pool, Eddy County, New Mexico

Fasken Oil and Ranch, Ltd. is requesting administrative approval of an unorthodox location for its Cameron "31" Federal No. 2 located at 2449' FNL and 408' FEL of Section 31, T20S, R25E, Eddy County, New Mexico.

This location was selected based off of geologic control data and Bureau of Land Management surface resource requirements. This well will be drilled to the Cemetery (Morrow) Gas Pool. Pool rules for the Cemetery (Morrow) Gas Pool allow for 320 acre spacing units (Order No. R-3194), modified under Rule 104.C.(2)(b) to allow one infill well per 320 acres. Location requirements for the initial well in the 320 acre spacing unit require a well to be no closer than 660' to any outer boundary of the quarter section in which the well is located, nor closer than 10' to any quarter/quarter section line or subdivision inner boundary. This staked location is 408' from the eastern lease line and 193' from the half section line, thus necessitating this exception request. Explanations of our land information, geologic mapping and Bureau of Land Management surface resource requirements follow.

Land Data

Fasken Oil and Ranch, Ltd., as successor operator to David Fasken, entered into an Operating Agreement dated July 27, 1973 creating a Working Interest Unit covering all of Section 31, T20S, R25E, Eddy County, New Mexico. The two Federal Leases comprising Section 31 are USA NM-0488813 and USA NM-16079. Under this agreement, all working interest owners agreed to share production and costs for any well in Section 31 based upon the percentage of acres each owned in relation to the total number of acres in Section 31. All working interest owners have been provided notice by their receipt of the Cameron "31" No. 2 well proposal and AFE. Fasken Oil and Ranch, Ltd. has received executed AFEs back from all working interest owners whereby each has elected to participate in the drilling of the captioned well.

Geologic Data

It is important to encounter our objective Morrow sands high enough to be above any local gas water contacts and also thick enough to be economically productive. Dip meters run on our area wells give us very good control on the Morrow structure in this area. The well in the Southeast quarter of the Southeast quarter of Section 30 shows a 3° dip to the south while the well in the Southeast quarter of Section 31 indicates a 4.5° dip to the Northwest. The well in the Northwest quarter of Section 32 is on top of the structure and is flat with no dip. Sands in low spots in this area do become wet and unproductive. Close well control allows us to map +10' of porous Middle Morrow Yellow Sand along to the east line of Section 31. Although some depletion is anticipated, economic reserves will be recovered at our proposed location that will not be captured otherwise. Moving the location to the Northwest would both be going in a down dip direction and out of the thicker porous part of our sand trend. Please see Exhibits 1, 2 and 3 for geologic mapping of this area.

Surface Resource Data

All acreage in Section 31 is made up of Federal minerals and Federal surface, and as such, the Bureau of Land Management has primacy over the surface estate. This location is the fourth location staked and surveyed for cultural and topographic features, while maintaining a geologically acceptable location. A fire pit was immediately identified at the original location by the Bureau of Land Management and Alternate Site No. 1 was immediately surveyed. Alternate Site No. 1 was cleared by the archaeologist, but was denied by the Bureau of Land Management during the cave and karst review due to an identified drainage leading to two small caves found approximately 500' north and east of the location. Alternate Site No. 2 was surveyed in, but was denied due to a significant new archaeological site discovery (LA 133867) immediately to the west of the staked location. Alternate Site No. 3, our unorthodox location, has been cleared through all phases of the Bureau of Land Management's processes and the issuance of the drilling permit is forthcoming. Please see Exhibit 4 for a map identifying the 3 previous locations denied by the Bureau of Land Management, and for the spot of the approved location as well. This exhibit also shows the locations of the surface cultural and topographic features influencing location selection.

Fasken Oil and Ranch, Ltd. and the Bureau of Land Management have been diligently working to find a suitable location that does not disturb or destroy valuable surface resources in this area, while maintaining the geologic integrity of the prospect. As a result, our proposed location has been agreed upon and cleared by the Bureau of Land Management.

As stated earlier, this location encroaches upon the eastern lease boundary and the mid-section line of the Cameron "31" Federal lease. Exhibit 5 is a map showing the offsetting wells and operators of record. The offsetting acreage to the east (Section 32) is operated by Fasken Oil and Ranch, Ltd. All working interest owners and royalty owners in Section 32, as well as all affected persons in surrounding sections, have been notified of this unorthodox location by copy of this application on this date via certified mail/return receipt requested. Please see Exhibit 6 for a listing by Section, Township and Range and ownership of affected parties which were provided notice of this exception application. Copies of the certificates of mailing to each of these affected parties are attached as Exhibit 7.

Also attached for your information and review are Form 3160-3 Application for Permit to Drill or Deepen, Form 3160-5 (Sundry Notice) changing the location from the Alternate 1 location to the current location and Form C-102 certifying the location. These are collectively Exhibit 8.

Please let me know if there are any questions you may have concerning this unorthodox location exception request. I may be reached at (915) 687-1777.

Yours truly,

A handwritten signature in cursive script that reads "Jimmy D. Carlile". The signature is written in black ink and is positioned above the printed name and title.

Jimmy D. Carlile
Regulatory Affairs Coordinator