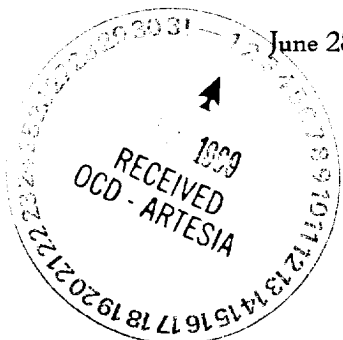




NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131



June 28, 1999

N. Dale Nichols
P. O. Box 1972
Midland, Texas 79702

Telefax No. (915) 682-5624

Administrative Order NSL-4317 (SD)

Dear Mr. Nichols:

Reference is made to the following: (i) your letter dated June 21, 1999 that was addressed to Mr. Tim Gum, Artesia District Supervisor of the New Mexico Oil Conservation Division ("Division"); (ii) your telephone conversation with Mr. Michael E. Stogner, Division Engineer/Chief Hearing Officer in Santa Fe on Monday, June 28, 1999; (iii) the Division's records; and (iv) your formal application telefaxed to the Division's Santa Fe office on Monday, June 28, 1999: all concerning your request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 NE/4 (Unit H) of Section 5, Township 8 South, Range 27 East, NMPM, Acme-San Andres) Pool, Chaves County, New Mexico.

This 40-acre unit is currently dedicated to your Standard State Well No. 4 (API No. 30-005-10443) located at a standard oil well location 1980 feet from the North line and 660 feet from the East line of Section 5.

It is our understanding that the E/2 equivalent of Section 5 is included within a single State lease (New Mexico State Land Office lease No. E-03614-0004) in which you are the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract.

The application has been duly filed under the provisions of Rule 104.F of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

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 NE/4 (Unit H) of Section 5 is hereby approved:

Standard State Well No. 5
1500' FNL & 330' FEL.

Further, both the existing Standard State Well No. 4 and the proposed Standard State Well No. 5 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

Handwritten signature of Lori Wrotenbery

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe