



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

March 28, 2001

Lori Wrotenberg

Director

Oil Conservation Division

**Murchison Oil & Gas, Inc.
1100 Mira Vista Boulevard
Plano, Texas 75093-4698
Attention: Michael S. Daugherty**

Telefax No. (972) 931-0701

Administrative Order NSL-4570

Dear Mr. Daugherty:

Reference is made to the following: (i) your application dated March 13, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Murchison Oil & Gas, Inc.'s ("Murchison") request for a non-standard gas well location within the Penasco Draw-Permo Penn Gas Pool for the existing Lincoln State Com. Well No. 1 (API No. 30-015-22447), located 2030 feet from the North line and 660 feet from the East line (Unit H) of Section 24, Township 18 South, Range 24 East, NMPM, Eddy County, New Mexico.

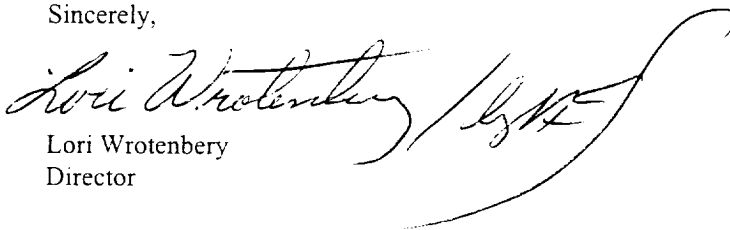
This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

According to the Division's well records the Lincoln State Com. Well No. 1 was initially drilled in 1978 by Mesa Petroleum Company to a total depth of 8,638 feet in order to test the Morrow formation. This well was subsequently completed in the Penasco Draw-Morrow Gas Pool at a location considered to be standard at that time within a standard 320-acre stand-up gas spacing and proration unit comprising the E/2 of Section 24.

It is our understanding that Murchison intends to recomplete this well up-hole into the Penasco Draw-Permo Penn Gas Pool and, pursuant to Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, this location is now considered to be unorthodox. Further, the E/2 of Section 24, being a standard 320-acre stand-up gas spacing and proration unit for this pool, is also to be dedicated to this well.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location within the Penasco Draw-Permo Penn Gas Pool is hereby approved.

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

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

