



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

January 16, 1997

Enerstar Resources, L.C.
P.O. Box 606
Carlsbad, New Mexico 88221-0606
Attention: Ernest Angelo, Jr.

Administrative Order NSL-3757

Dear Mr. Angelo:

Reference is made to your application dated January 2, 1997 to drill the proposed Rains Well No. 1 at an unorthodox gas well location 330 feet from the North line and 2310 feet from the East line (Unit B) of Section 27, Township 20 South, Range 28 East, NMPM, to test the Undesignated South Burton-Yates Gas Pool, Eddy County, New Mexico.

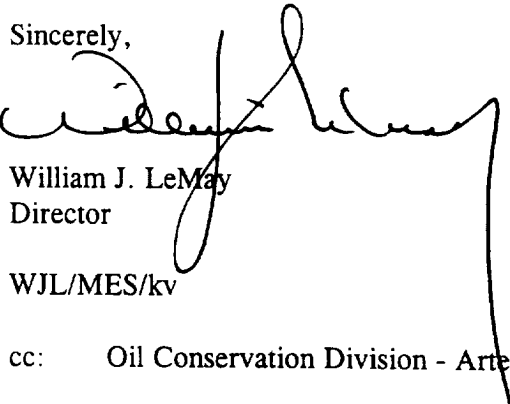
Further, if gas production is encountered within the Yates formation the NE/4 of said Section 27 is to be dedicated to said well in order to form a standard 160-acre gas spacing and proration unit.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Yates formation than a well drilled at a standard gas well location within the subject 160-acre tract.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,


William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia