

March 24, 2000

Kerr-McGee Oil & Gas Onshore, L.L.C.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-_____

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator Kerr-McGee Oil & Gas Onshore, L.L.C. ("Kerr-McGee") dated March 9, 2000; (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division"), on Friday, March 10, 2000; (iii) the supplemental data necessary to complete this application submitted to the Division on March 21, 2000; and (iv) the Division's records in Santa Fe, including the file on Division Administrative Order DD-90, dated November 30, 1993: all concerning Kerr-McGee's request for an exception to Rule 2 (b) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, in order to drill its proposed West Indian Basin Unit Well No. 5 at an unorthodox gas well location 680 feet from the North line and 1690 feet from the East line (Unit B) of Section 20, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

All of Section 20, being a standard 640-acre gas spacing and proration unit for the Indian Basin-Upper Pennsylvanian Gas Pool, is to be dedicated to this well.

The application has been duly filed under the provisions of: (i) the special rules governing this pool; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; (iii) Division Rule 605.B; and (iv) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

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 potentially productive interval of the Cisco/Canyon formations than a well drilled at a location considered to be standard within the subject 640-acre unit.

By the authority granted me under the provisions of: (i) Division Rule 605.B (2) (b); and (ii) Division Rule 104.F (2), the unorthodox gas well location of the proposed West Indian Basin Unit Well No. 5 is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: DD-90