



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

May 14, 2002

Gruy Petroleum Management Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-4729



Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Gruy Petroleum Management Company ("Gruy"), that was submitted to the New Mexico Oil Conservation Division ("Division") on April 29, 2002 (*pMESO-213429813*); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division in Santa Fe on Monday, May 13, 2002; (iii) Mr. Stogner's telephone conversations with Mr. Zeno Farris, Gruy's Manager of Operations Administration in Irving, Texas; (iv) Gruy's amended application telefaxed on Monday, May 13, 2002 by Mr. Farris; and (v) the Division's records in Santa Fe: all concerning Gruy's request for an exception to Rule 4 of the "*Special Rules and Regulations for the White City-Pennsylvanian Gas Pool*", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-2429-A, as amended, for a replacement infill well to be drilled at an unorthodox location within an existing 640-acre gas spacing and proration unit comprising all of Section 16, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool (87280), Eddy County, New Mexico.

This 640-acre unit is currently simultaneously dedicated to Gruy's: (i) White Baby Com. Well No. 1 (**API No. 30-015-21419**), located at a standard gas well location 1980 feet from the South and West lines (Unit K) of Section 16; and (ii) White Baby Com. Well No. 2 (**API No. 30-015-24972**), located at a standard gas well location 1980 feet from the North line and 2130 feet from the East line (Unit G) of Section 16

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 and Rule 5 of the special White City-Pennsylvanian gas pool rules.

It is the Division's understanding that Gruy seeks this location exception for both geological and engineering reasons.

By the authority granted me under the provisions of Division Rule 104.F (2) and the