



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 20, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

OGS Operating Company, Inc.
550 West Texas - Suite 1140
Midland, Texas 79701

Telefax No. (432) 682-4634

Attention: Thom O'Brien
President

Administrative Order NSL-5056

Dear Mr. O'Brien:

Reference is made to the following: (i) your application dated April 22, 2004 (**administrative application reference No. pMES0-413136276**); (ii) my handwritten note of April 30, 2004 requesting additional information to support your application; (iii) your response by letter dated May 4, 2004 with attachments containing the necessary information to complete this application; (iv) your letter dated May 7, 2004 with supplemental data further supporting this application; and (v) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning OGS Operating Company, Inc.'s ("OGS") request for an exception to **Rule 2 (b)** of the "*Special Rules and Regulations for the Bluit-San Andres Associated Pool*," as promulgated by Division Order No. R-5353, as amended, for a non-standard Bluit-San Andres gas well location within a standard 318.64-acre lay-down gas spacing and proration unit for the Undesignated Bluit-San Andres Associated Pool (**6880**) comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 8 South, Range 37 East, NMPM, Roosevelt 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, and the applicable provisions of the rules governing the Bluit-San Andres Associated Pool.

By the authority granted me under the provisions of: (i) **Rule 2 (c)** of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended; and (ii) Division Rule 104.F (2), as revised, the following described well to be drilled at an unorthodox gas well location within this 318.64-acre unit, is hereby approved:

Bluit "7" Federal Com. Well No. 1
1980' FSL & 660' FEL (Unit I).

OGS Operating Company, Inc.

May 20, 2004

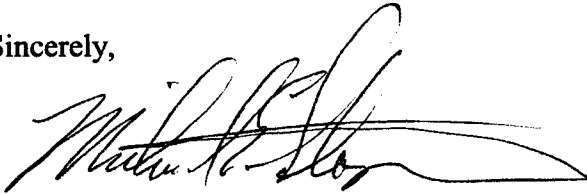
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Further, the above-described well and 318.64-acre gas spacing and proration unit shall be subject to all existing rules, regulations, policies, and procedures applicable to the Associated Oil and Gas Pools and to the Bluit-San Andres Associated Pool.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Engineer/Hearing Officer

MS/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management - Roswell