

DATE IN 2-23-05	SUSPENSE 3-15-05	ENGINEER STOGWIER	LOGGED IN 2-24-05	TYPE NSL	APP NO. PSEM0505547691
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Michael Feldewert
 Print or Type Name

[Signature]
 Signature

Attorney
 Title

2/18/05
 Date

Mfeldewert@Hollandhart.com
 e-mail Address

2005 FEB 23 PM 3 48

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources - oil and gas law -
New Mexico Board of Legal
Specialization

mfeldewert@hollandhart.com

February 23, 2005

VIA HAND DELIVERY

Mr. Mark E. Fesmire, P.E.
Director - Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2005 FEB 23 PM 3 48

Re: **Application of Paladin Energy Corporation for Administrative
Approval of an Unorthodox Oil Well Location**
South Vacuum 27 Well No. 3
2300 feet from the South line and 1100 feet from the East line (Unit I)
Section 27, T-18-S, R-35-E, Lea County, New Mexico.

Dear Mr. Fesmire:

Paladin Energy Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104.F for approval of an unorthodox oil well location for its existing South Vacuum 27 Well No. 3 in the Mississippian formation and any other potentially productive oil pools spaced on 40-acres. A standard 40-acre spacing and proration unit comprised of the NE/4 SE/4 of Section 27 (Unit I) will be dedicated to this well.

The South Vacuum 27 Well No. 3 was drilled as a wildcat gas well in the McKee formation and is presently dedicated to the E/2 of Section 27. The location of this well was chosen to optimize its chances of success in the McKee gas formation. However, the well has not been successful in the McKee formation and therefore Paladin seeks to recompleat this well as an oil well in the Mississippian formation and dedicate to it the NE/4 SE/4 (Unit I) of Section 27. Paladin's proposed recompleat will result in an unorthodox oil well location under Rule 104.B (1) and encroach upon the NW/4 SE/4 (Unit J) by 110 feet.

Attachment A is a C-102 for this proposed well showing its location and footage. Attachment B is a land locator map showing the existing well, the proposed 40-acre spacing and proration unit, and the adjoining 40-acre spacing units and wells. Paladin is the record title owner of State Oil and Gas Lease V06744-0000 covering the NE/4

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☪

HOLLAND & HART LLP



SE/4 (Unit I) of said Section 27 where the well is located. Paladin is also the record title owner of State Oil and Gas Lease EO1635-0006 covering the NW/4 SE/4 (Unit J) of Section 27 that is affected by the unorthodox well location.

Paladin has met with the New Mexico State Land Office about its proposed recompletion. In order to ensure that each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the oil recovered by this well, the New Mexico State Land Office has communitized the E/2 NW/4 SE/4 (State Lease EO1635-0006) and the W/2 NE/4 SE/4 (State Lease V06744-000). *See Attachment C.* Accordingly, there are no parties adversely affected by this application.

Thank you for your attention to this application, and if you have any questions, please feel free to call either myself or Jeff Albers.

Sincerely,

Michael H. Feldewert

cc. Jeff Albers, New Mexico State Land Office
George Fenton, Paladin Energy Corporation

District I
1625 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1224 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 97411	³ Pool Name Wildcat Mississippian
⁴ Property Code 22557	⁵ Property Name South Vacuum 27	⁶ Well Number 3
⁷ OGRJD No. 164070	⁸ Operator Name Paladin Energy Corp.	⁹ Elevation 3886'

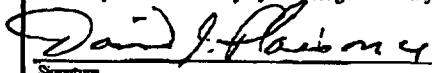
¹⁰ Surface Location

UL or lot no. I	Section 27	Township 18-S	Range 35-E	Lot Idn	Feet from the 2300	North/South line South	Feet from the 1100	East/West line East	County Lea
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¹¹ Bottom Hole Location If Different From Surface

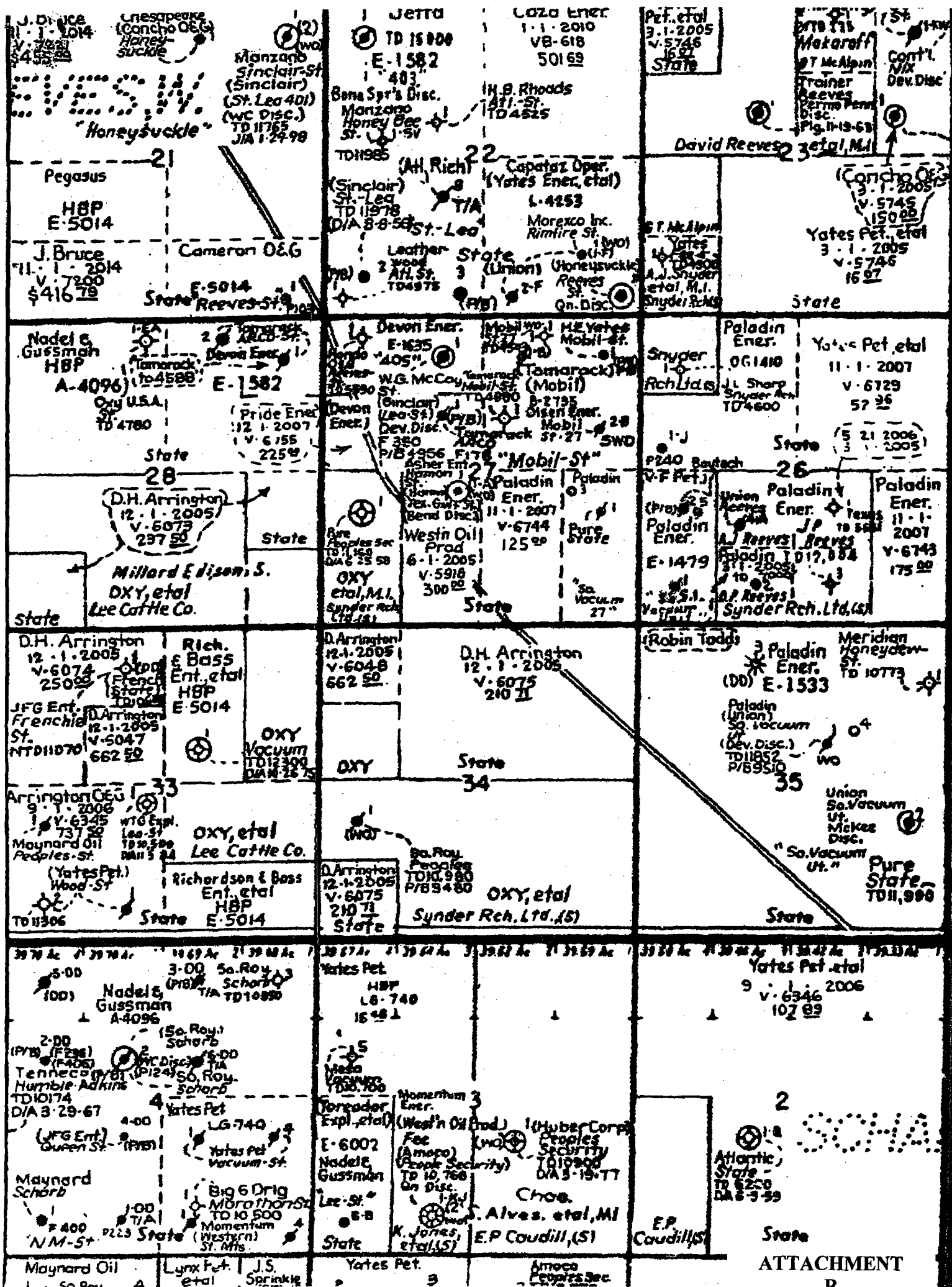
UL or lot no. I	Section 27	Township 18-S	Range 35-E	Lot Idn	Feet from the 2278.14	North/South line South	Feet from the 1090.33	East/West line East	County
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				Sec 27, T18S, 35E	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature David Plaziano Printed Name VP Exploration & Production 2/17/2005 Date
				SVU 27-3 2278 FSL 1090 FEL	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

ATTACHMENT

A





PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

January 25, 2005

Paladin Energy Corp.
10290 Monroe Drive, Suite 301
Dallas, Texas 75229-5718

Attn: Gail Cotton

Re: Communitization Agreement Approval (Mississippian)
South Vacuum 27 Well No. 3
E2NW4SE4 & W2NE4SE4, Section 27, Township 18 South, Range 35 East
Lea County, New Mexico

Dear Ms. Cotton:

The Commissioner of Public Lands has this date approved the South Vacuum 27 Well No. 3 Communitization Agreement for the Mississippian formation for the E2NW4SE4 and W2NE4SE4, Section 27, Township 18 South, Range 35 East, Lea County, New Mexico.

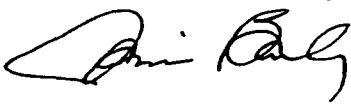
The effective date of this approval is January 5, 2005 and the term of the agreement is for one year, and so long thereafter as communitized substances are produced from the communitized area in paying quantities. Enclosed are five Certificates of Approval.

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:


JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744
PHL/JB/ja

ATTACHMENT
C

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

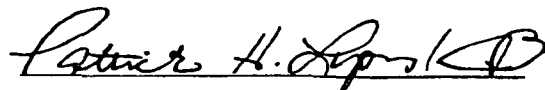
Paladin Energy Corp.
South Vacuum 27 Well No. 3
Lea County, New Mexico
E2NW4SE4 and W2NE4SE4, Section 27, Township 18 South, Range 35 East
Mississippian

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated January 5, 2005 which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 25th day of January, 2005.



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico