



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary

Latigo Petroleum, Inc.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504-1056

April 12, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Administrative Order NSL-5194

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Latigo Petroleum, Inc. ("Latigo") that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 29, 2005 (*administrative application reference No. pSEM0-508931992*); and (ii) the Division's records in Santa Fe: all concerning Latigo's request for an unorthodox gas well location in both the Atoka and deeper Morrow formations for its proposed DeGas "6" State Com. Well No. 2 to be drilled 2624 feet from the North line and 1889 feet from the West line (Lot 6/Unit F) of Irregular Section 6, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

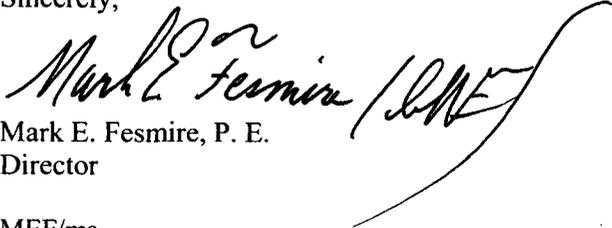
Lots 3 through 6 and 11 through 14 of Irregular Section 6, being a standard 321.03-acre stand-up gas spacing unit for both the deeper North Eidson-Morrow Gas Pool (76360) and shallower Undesignated Townsend-Atoka Gas Pool (97137), is to be dedicated to this well.

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.

It is the Division's understanding that Latigo is seeking this location exception based on geophysical/geological considerations, which indicate that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the shallower Atoka interval than a well drilled at a location considered to be standard within this unit.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep gas well location for Latigo's proposed DeGas "6" State Com. Well in both the Atoka and Morrow formations within the proposed 321.03-acre gas spacing unit is hereby approved.

Sincerely,


Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe