



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 21, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Latigo Petroleum, Inc.

c/o **James Bruce**

P. O. Box 1056

Santa Fe, New Mexico 87504

Administrative Order NSL-5289

Dear Mr. Bruce:

Reference is made to the following: (i) your application filed on behalf of the operator, Latigo Petroleum, Inc. of Midland, Texas ("Latigo"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on October 6, 2005 (**pSEM0-528026976**); and (ii) the Division's records in Santa Fe and Artesia, including the file in Division Case No. 13464: all concerning Latigo's request for an unorthodox Bone Spring oil well location for its existing Marine "19" Federal Well No. 1 (**API No. 30-015-33981**), recently drilled under the authority of Division Order No. R-12373, issued in Case No. 13464 on June 23, 2005 to test the Morrow formation underlying a standard 318.89-acre lay-down deep gas spacing unit comprising Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 19, Township 25 South, Range 27 East, NMPM, Undesignated Cottonwood Draw-Morrow Gas Pool (**97377**), Eddy County, New Mexico. Pursuant to Division Rule 104.C (2) (a) this well's location, being 1480 feet from the North line and 1130 feet from the West line (Lot 2/Unit E) of Section 19, is considered to be "standard" for a deep gas test.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding from your application and from our records that Latigo spud this well on August 3, 2005 and drilled to a total depth of 12,028 feet. Well tests indicated that the deeper Morrow interval was dry; however, potential oil pay was found in the Bone Spring formation. Pursuant to Division Rule 104.B (1), this location is unorthodox for the standard 39.47-acre oil spacing and proration unit comprising Lot 2 (Unit "E," or the SW/4 NW/4 equivalent) of Section 19, which acreage is to be assigned to any wildcat Bone Spring oil production from this well.

It is further understood that the entire NW/4 equivalent of Section 19 is a single federal lease (**U. S. Government lease No. NM-109756**) with common mineral interests throughout in which Latigo is the leasehold operator; therefore, there are no adversely effected offsets to the subject 39.47-acre oil tract.

Latigo Petroleum, Inc.

October 21, 2005

Page 2

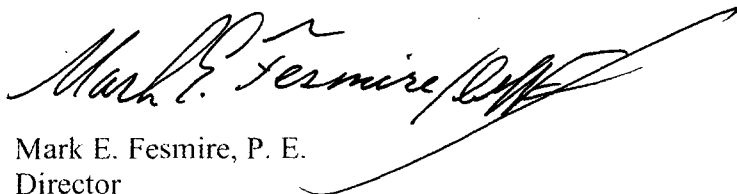
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By the authority granted me under the provision of Division Rule 104.F (2) the above-described unorthodox Bone Spring oil well location for Latigo's Marine "19" Federal Well No. 1 is hereby approved.

AS AN OBSERVATION, the Division suggests that all operators take additional steps to stake wells at locations considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within their immediate area of operations.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

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