



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 26, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Texland Petroleum-Hobbs, LLC
c/o **Holland & Hart, LLP**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Ocean Munds-Dry
omundsdry@hollandhart.com

Administrative Order NSL-5373

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your application on behalf of the operator, Texland Petroleum-Hobbs, LLC ("Texland") that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 20, 2005 (*administrative application reference No. pTDS0-611160537*); (ii) the Division's initial response by e-mail from Mr. Michael E. Stogner, Engineer in Santa Fe, requesting verification of notice to all affected offsetting parties; (iii) your subsequent e-mail correspondence with Mr. Stogner on April 25, 2006 addressing his concerns; and (iv) the Division's records in Hobbs and Santa Fe: all concerning Texland's request for an unorthodox Drinkard oil well location for its proposed CP "3" State Well No. 1 to be drilled 1229 feet from the South line and 1005 feet from the East line (Unit P) of Section 3, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico. The SE/4 SE/4 of Section 3 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit within the Undesignated Lovington-Drinkard Pool (*40490*).

Your application for Texland 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].

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the Drinkard formation than a well drilled at a location considered to be standard within the proposed standard 40-acre oil spacing and proration unit.

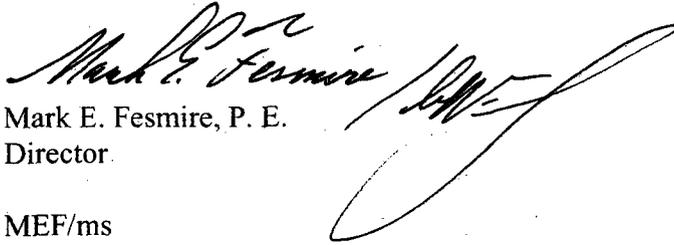
Further, the Division understands that the E/2 SE/4 of Section 3 comprises a single state lease issued by the New Mexico State Land Office (*State Lease No. B-08197-0001*) and the W/2 SE/4 of Section 3 comprises a single state lease (*State Lease No. B-07377-0001*). Both state leases have the same beneficiary (common schools) and Texland owns 100% of the working interests within the Drinkard interval underlying each lease.

Texland Petroleum-Hobbs, LLC
April 26, 2006
Page 2

Division Administrative Order NSL-5373

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox Drinkard oil well location is hereby approved.

Sincerely,



Handwritten signature of Mark E. Fesmire in cursive script.

Mark E. Fesmire, P. E.
Director

MEF/ms

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