



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 12, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Westerly Exploration, Inc.
c/o Walsh Engineering & Production Corp.
7415 East Main
Farmington, New Mexico 87402

Attention: **Paul C. Thompson**
paul@walsheng.net

Administrative Order NSL-5422

Dear Mr. Thompson:

Reference is made to the following: (i) your initial application on behalf of the operator, Westerly Exploration, Inc., submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 7, 2006 (***administrative application reference No. pTDS0-615848887***); (ii) Mr. Michael E. Stogner's, Engineer with the Division in Santa Fe, e-mail correspondence with Mr. John Thompson on June 27 and 28, 2006; (iii) Ms. Kay Maddox's letter dated July 1, 2006 with supplemental information to support your application; (iv) Ms. Maddox's e-mail to Mr. Stogner on Thursday, July 6, 2006 checking on the status of this filing; and (v) the Division's records in Aztec and Santa Fe: all concerning Westerly Exploration, Inc.'s request for an exception to Division Rule 104.B (1) for its proposed Romero Federal "34" Well No. 1 (***API No. 30-043-21019***) to be drilled at an unorthodox Mancos oil well location 405 feet from the South line and 1255 feet from the West line (Unit M) of Section 34, Township 23 North, Range 1 West, NMPM, Sandoval County, New Mexico. The SW/4 SW/4 of Section 34 is to be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing and proration unit for wildcat Mancos oil production (***WC 23N1W34: Mancos Oil – pool code No. 97521***).

Your application for Westerly Exploration, Inc. 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 that Westerly Exploration, Inc. is seeking this location exception for both topographic and geological reasons.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox Mancos oil well location is hereby approved.

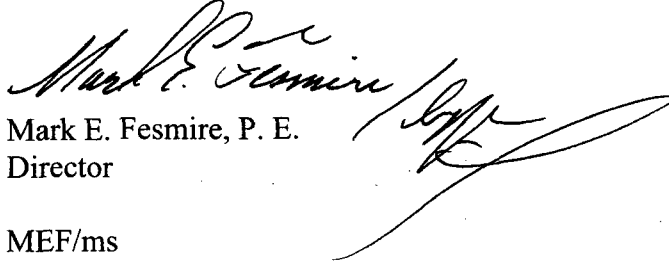
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Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
Ms. Kay Maddox, Regulatory Agent (kay.Maddox@yahoo.com)
Mr. John Thompson, Walsh Engineering and Production Corp. (john@walsheng.net)