



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

August 21, 2003

Lori Wrotenberg

Director

Oil Conservation Division

Paladin Energy Corporation
c/o Holland & Hart, L.L.P.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Michael H. Feldewert
mfeldewert@hollandhart.com

Administrative Order NSL-4939 (BHL)

Dear Mr. Feldewert:

Reference is made to the following: (i) your application on behalf of the operator, Paladin Energy Corporation ("Paladin") dated August 19, 2003 (*administrative application reference No. pLR0-323271120*); (ii) your meeting with Mr. Michael E. Stogner, Engineer/Hearing Officer with the New Mexico Oil Conservation Division ("Division") in Santa Fe, on Wednesday morning, August 20, 2003; and (iii) the Division's records in Santa Fe, including the file in Division Case No. 13064: all concerning Paladin's request for a non-standard subsurface Siluro-Devonian oil well location within a standard stand-up 80-acre oil spacing and proration unit comprising the W/2 SW/4 of Section 35, Township 11 South, Range 33 East, NMPM, Bagley Siluro-Devonian Pool (3990), Lea County, New Mexico.

The application has been duly filed under the provisions of the following rules, regulations, policies, and procedures:

- (a) 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;
- (b) Division Rule 111.C (2);
- (c) Division Rule 1207.A (2); and
- (d) Division Order No. R-69, as amended, which order adopted special rules in the Bagley Siluro-Devonian Pool to assure a uniform pattern for the spacing and drilling of wells, including provisions for "stand-up" 80-acre (oil) proration units and for wells to be located within 150 feet of the center of either the northwest and southeast quarter-quarter sections.

It is the Division's understanding that Paladin's State BT "C" Well No. 3 (API No. 30-025-01017), located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 35, was originally drilled to a total depth of 10,965 feet and completed at a standard oil well location in the Bagley Siluro-Devonian Pool by Amerada Petroleum Corporation in 1951 within the W/2 SW/4 of Section 35.

Per your application, Paladin, is requesting authorization to abandon the original completion interval and plug-back to a more geologically desirable location within the Siluro-Devonian interval by sidetracking in a southeasterly direction to a targeted non-standard bottom-hole location within this stand-up 80-acre oil spacing and proration unit 1668 feet from the South line and 972 feet from the West line (Unit L) of Section 35.

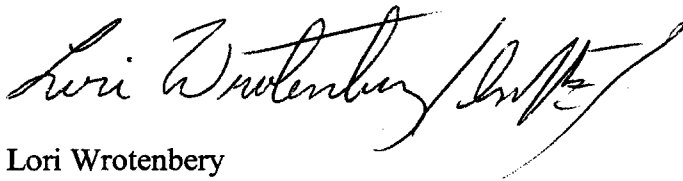
It is further understood that the area comprising the SW/4 of Section 35 is a single state lease issued by the New Mexico State Land Office (State Lease No. E-01347) in which Paladin is the recognized leasehold operator; therefore, there are no adversely effected offsets to the subject 80-acre unit.

By the authority granted me under Division Rule 104.F (2), Primal is hereby authorized to recomplete its State BT "C" Well No. 3 as close as is reasonably possible to the proposed targeted unorthodox bottom-hole oil well location within the Bagley Siluro-Devonian Pool 1668 feet from the South line and 972 feet from the West line (Unit L) of Section 35.

Further, Paladin shall comply with all provisions of Division Rule 111 applicable in this matter.

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

Sincerely,



Lori Wrotenbery
Director

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cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: Case No. 13064