



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 28, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Royalty Resources, L.L.C.

P. O. Box 3444

Midland, Texas 79701

Attention: Chris Prickett

prickett@willowcreekinc.com

Administrative Order NSL-4943

Dear Mr. Prickett:

Reference is made to the following: (i) your application submitted by telefax to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 27, 2003 (***administrative application reference No. pMES0-323958284***); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division in Santa Fe, New Mexico on Wednesday morning, August 27, 2003; and (iii) the Division's records in Santa Fe: all concerning Royalty Resources, L.L.C.'s request for an exception to the well location provisions of Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, limited to only those formations within the Pennsylvanian system, for its existing Calvani Com. Well No. 1 (**API No. 30-015-20784**), located at an unorthodox deep gas well location 1880 feet from the South line and 2130 feet from the West line (Unit K) of Section 9, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

Pursuant to Division Rule 104.C (2), this well is to be dedicated to the S/2 of Section 9, being a standard 320-acre lay-down gas spacing unit for any and all formations and/or pools from the base of the Wolfcamp formation to the base of the Morrow formation, which presently include but are not necessarily limited to the Undesignated Carlsbad-Strawn Gas Pool (**74040**), Undesignated Tansill Dam-Atoka Gas Pool (**85900**), and Undesignated South Carlsbad-Morrow Gas Pool (**73960**).

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox deep gas well location, limited to the above-described vertical extent, within this 320-acre unit comprising the S/2 of Section 9 is hereby approved.

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

Sincerely,

Lori Wrotenbery

Director

LW/mes

cc: New Mexico Oil Conservation Division – Artesia