



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joa nna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 15, 2007

BEPCO, L.P.

Attn: Mr. Gary Gerhard

P.O. Box 2760

Midland, TX 79702

Administrative Order NSL-5358-A

Re: Horned Toad 36 State Well No. 1H

API No. 30-015-34764

H-36-24S-29E

Eddy County

Ladies and Gentlemen:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-08027101**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 16, 2007, and

(b) the Division's records pertinent to this request, including the Division's records concerning Order NSL-5358.

BEPCO, L.P. (BEPCO) has requested to drill its Horned Toad 36 State Well No. 1H (API No. 30-015-34764) as a horizontal well at an unorthodox location in the Nash Draw-Delaware/Bone Spring (Avalon Sand) Pool (47545), as herein described. The well will commence from an unorthodox surface location 1625 feet from the North line and 660 feet from the East line (Unit H) of Section 36, Township 24 South, Range 29 East, N.M.P.M., in Eddy County, New Mexico. The well will be drilled vertically to a point of penetration of top of the Delaware Mountain Group (and therefore of the referenced pool). The well will be deviated below the point of penetration and projected horizontally to a terminus or bottom hole location 355 feet from the South line and 660 feet from the East line (Unit P) of Section 36. The SE/4 NE/4 and the E/2 SE/4 of Section 36 will be dedicated to this well in order to form a project area pursuant to Rule 111 composed of three contiguous standard spacing units.

This pool is governed by statewide Rule 104.B, which provides for 40-acres units, with wells located at least 330 feet from a unit outer boundary. This horizontal location is unorthodox under Rule 111.C(2) because a portion of the producing interval lies within 330 feet of the northern boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

This well was originally permitted as a vertical well at the above-described unorthodox surface location by Order No. NSL-5358, issued March 31, 2006. It is our understanding that BEPCO is seeking this unorthodox horizontal location for geologic reasons, in order to penetrate the maximum amount of productive area in the formation within this project area.

It is also understood that BEPCO is owner of the entire working interest in the offsetting spacing unit to the north. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe