



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

June 11, 1996

Kestrel Resources, Inc.
c/o Walsh Engineering & Production Corp.
7415 East Main
Farmington, New Mexico 87402
Attention: Paul C. Thompson, P.E.

Administrative Order NSL-3681

Dear Mr. Thompson:

Reference is made to your application on behalf of the operator, Kestrel Resources, Inc., dated June 3, 1996 for an unorthodox oil well location to test the Entrada formation for the proposed Gonzales Well No. 1 to be drilled 350 feet from the South line and 1090 feet from the East line (Unit P) of Section 30, Township 32 North, Range 2 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico. The SE/4 SE/4 of said Section 30 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit for said interval.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

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

Sincerely,

William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec