



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 3, 1999

Patterson Petroleum, Inc.
410 North Loraine – Suite "B"
Midland, Texas 79701
Attention: Joe Fitzgerald

Telefax No. (915) 685-1133

Administrative Order NSL-4226

Dear Mr. Fitzgerald:

Reference is made to the following: (i) your application filed by Patterson Petroleum, Inc. ("Patterson") dated February 26, 1999; (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe; and (iii) your telefaxed letter dated March 3, 1999 which serves to complete Patterson's application.

The Division Director Finds That:

(1) Patterson, as operator, proposes to drill its Tomahawk State "19" Well No. 1 at a location that is 2616 feet from the North line and 1148 feet from the East line (Unit H) of Section 19, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, to a depth of 13,600 feet, which is sufficient to test the Morrow formation;

(2) Pursuant to Patterson's request, the primary zone of interest for this well is the Atoka/Morrow clastics and the Pennsylvanian Cisco carbonates, however it is the operators intent to test all intervals from the base of the San Andres formation (Vacuum-Grayburg-San Andres Pool) to the base of the Morrow formation;

(3) Patterson therefore seeks an exception to all applicable well location set-back requirements governing any and all formations and/or pools from the base of the San Andres formation to the base of the Morrow formation for its Tomahawk State "19" Well No. 1 to be dedicated to the following described spacing and proration units:

- (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any and all pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Vacuum-Atoka Morrow Gas Pool and Undesignated Vacuum-Morrow Gas Pool [Division Rules 104.B(1)(a) and 104.C(2)(b)];
- (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent [Division Rule 104.B(1)(a)];
- (c) the S/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any pools developed on 80-acre spacing with this vertical extent, which currently includes only the Undesignated North Vacuum-Abo

Pool (Rule 4 of the "*Special Rules and Regulations for the North Vacuum-Abo Oil Pool*", as promulgated by Division Order No. R-2421, as amended); and

- (d) the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated East Corbin-Wolfcamp Pool and Undesignated Vacuum-Cisco Pool [Division Rules 104.B(1)(b) and 104.C(1)(a)];

(4) The following described acreage is a single state lease issued by the New Mexico State Land Office (State Lease No. B-4118-1) in which Phillip Petroleum Company is lessee; however, under farmout agreement Patterson is the leasehold operator of all rights below the base of the San Andres formation;

(5) The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox location into both the Morrow and Cisco formations will be at a more favorable geologic position within the structures of both intervals than a well drilled at a location considered to be standard;

(6) The subject application has been duly filed under the provisions of Division Rule 104.F(2) and Rule 5 of the special pool rules for the North Vacuum-Abo Pool; and

(7) The subject application, which serves to prevent waste and being in the best interest of conservation, should be approved.

The Division Director Finds That:

(1) Patterson Petroleum, Inc. ("Patterson") is hereby authorized to drill its proposed Tomahawk State "19" Well No. 1 at an unorthodox location that is 2616 feet from the North line and 1148 feet from the East line (Unit H) of Section 19, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, to a depth of 13,600 feet, in order to test all intervals from the base of the San Andres formation (Vacuum-Grayburg-San Andres Pool) to the base of the Morrow formation.

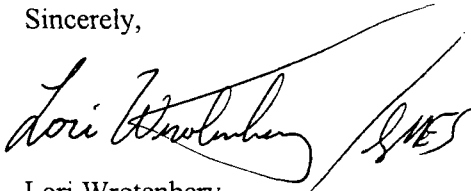
(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 19:

- (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any and all pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Vacuum-Atoka Morrow Gas Pool and Undesignated Vacuum-Morrow Gas Pool;
- (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent;

- (c) the S/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any pools developed on 80-acre spacing with this vertical extent, which currently includes only the Undesignated North Vacuum-Abo Pool; and
- (d) the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated East Corbin-Wolfcamp Pool and Undesignated Vacuum-Cisco Pool;

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg", followed by a large, stylized flourish or mark that resembles "MES".

Lori Wrotenberg
Director

LW/MES/kv

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