

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



January 12, 2008

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5982

Re: Murchison Oil & Gas, Inc.
Hightower State Unit Well No. 3
API No. 30-025-39130
1750 feet FSL and 330 feet FEL
Unit I, Section 27-12S-33E
Lea County, New Mexico

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA08-35449691**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Murchison Oil & Gas, Inc. (Murchison), on December 19, 2008, and

(b) the Division's records pertinent to this request.

Murchison has requested to complete the above-referenced well at an unorthodox gas well location, as described above in the caption of this letter. The E/2 of Section 27 will be dedicated to this well in order to form a standard 320-acre, more or less, wildcat gas spacing unit in the Mississippian formation. This pool is governed by statewide Rule 15.10.B, which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the eastern unit boundary.

Your application on behalf of Murchison has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location in order to utilize an existing wellbore that was drilled to test another formation.



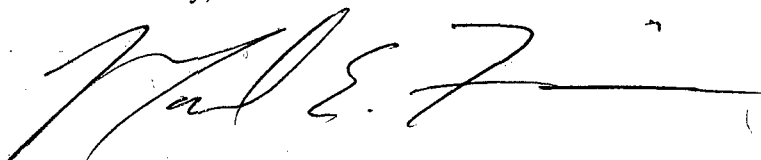
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9

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', followed by a long horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

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