NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 15, 2004

Patterson Petroleum, L.P.
1004 N. Big Spring – Suite 523
Midland, Texas 79701

Attention: **Joe Fitzgerald**
Land Manager
fitzgeraldj@patenergy.com

Administrative Order NSL-4983

Dear Mr. Fitzgerald:

Reference is made to the following: **(i)** your application (***administrative application reference No. pMES0-401548047***) telefaxed to the New Mexico Oil Conservation Division ("Division") on January 13, 2004; **(ii)** your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division in Santa Fe on Monday afternoon, January 12, 2004; and **(iii)** the Division's records in Santa Fe and Hobbs: all concerning Patterson Petroleum, L.P.'s ("Patterson") request for an unorthodox Wolfcamp oil well location for its existing Mohican "28" State Well No. 1 (**API No. 30-025-36419**), recently drilled to test the Morrow formation underlying a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Section 28, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico. Pursuant to 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, the well's location, being 1980 feet from the South line and 1330 feet from the East line (Unit J) of Section 28, is considered to be "standard" for this deep Morrow spacing unit.

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

It is the Division's understanding after reviewing your application and our records that this well was permitted by Patterson only as a deep Morrow gas test within the aforementioned 320-acre unit (see the "*Application for Permit to Drill*" dated September 22, 2003); this Morrow location was "derived by the use of extensive 3-D seismic data and analysis;" the well was subsequently spud on September 29, 2003; drilled to a total depth of 13,670 feet, whereby the Morrow was found to be too thin to attempt a completion. It is further understood that Patterson now intends to complete the well in the shallower Undesignated Leamex-Wolfcamp Pool (**37860**); however, pursuant to Division Rule 104.B (1), as revised, this location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NW/4 SE/4 (Unit J) of Section 28.

Furthermore, all of Section 28 comprises a single State lease issued by the New Mexico State Land Office (State lease No. B-02229) with common ownership between ConocoPhillips Company and Patterson, and that both parties have entered into an operating agreement covering all of Section 28 as to all rights below the San Andres formation.

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox oil well location within the Undesignated Leamex-Wolfcamp Pool for Patterson's above-described Mohican "28" State Well No. 1 is hereby approved.

PLEASE NOTE HOWEVER THAT IN THE FUTURE, Patterson, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations, please refer to the official Division Notice by the Director dated October 25, 1999. Any future disregard to the Division's well spacing rules with respect to secondary intervals may subject all such future requests to the Division's hearing process.

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 - Hobbs
New Mexico State Land Office – Santa Fe