



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

February 8, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Murchison Oil & Gas, Inc.
1100 Mira Vista Blvd.
Plano, Texas 75093-4698
Attention: Michael S. Daugherty

Telefax No. (972) 931-0701

Administrative Order NSL-4695

Dear Mr. Daugherty:

Reference is made to the following: (i) your application (*application reference No. pKRV0-203653907*) submitted to the New Mexico Oil Conservation Division ("Division") on January 30, 2002; and (ii) the Division's records in Santa Fe and Artesia: all concerning Murchison Oil & Gas, Inc.'s request for an unorthodox Wolfcamp oil well location for its Big Cat State Com. Well No. 1 (API No. 30-015-32091), which was recently drilled to test the Undesignated South Empire-Morrow Gas Pool underlying a standard 320-acre stand-up gas spacing and proration unit comprising the E/2 of Section 11, Township 17 South, Range 28 East, NMPM, Eddy 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 1500 feet from the North line and 1980 feet from the East line (Unit G) of Section 11, is considered to be "standard" for this 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 its records that this well was permitted by Murchison only as a Morrow gas test within the aforementioned 320-acre unit (see the "*Application for Permit to Drill*" dated November 11, 2001); the well was subsequently spud either on November 21 or 22, 2001, drilled to a total depth of 10,446 feet, whereby the Morrow test is described as "not successful." The Wolfcamp formation (to be designated the *North Anderson-Wolfcamp Pool*) was found to be oil productive and successfully completed within the perforated interval from 7,528 feet to 7,540 feet. However, pursuant to Division Rule 104.B (1), as revised, this Wolfcamp oil location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the SW/4 NE/4 (Unit G) of Section 11.

It is further understood that the N/2 NE/4, SW/4 NE/4, and SE/4 of Section 11 is a single state lease issued by the New Mexico State Land Office (State Lease No. V-04990) in which Murchison is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract.

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

PLEASE NOTE HOWEVER THAT IN THE FUTURE, Murchison, 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. 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 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 "Lori Wrotenbery" followed by a stylized flourish or initials.

Lori Wrotenbery
Director

LW/MES/kv

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