



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

February 19, 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-4702

Dear Mr. Daugherty:

Reference is made to the following: (i) your application (*application reference No. pKRV0-203654132*) submitted to the New Mexico Oil Conservation Division ("Division") on January 31, 2002; (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated February 8, 2002 with a question regarding notification; (iii) your telefaxed response of February 19, 2002 with the necessary information to complete this application; and (iv) 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 High Mesa State Com. Well No. 1 (**API No. 30-015-31720**), which was recently drilled to test both the Undesignated North Empire-Atoka Gas Pool and Undesignated South Empire-Morrow Gas Pool underlying a standard 318.64-acre stand-up gas spacing and proration unit comprising Lots 1 and 2, the S/2 NE/4 and the SE/4 (E/2 equivalent) of irregular Section 2, 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 1320 feet from the South line and 1000 feet from the East line (Unit P) of irregular Section 2, is considered to be "standard" for this unit.

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

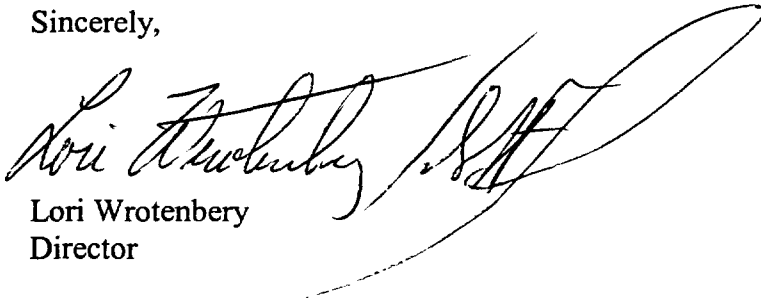
It is the Division's understanding after reviewing your application and its records that this well was permitted by Murchison only as a Morrow gas test within the aforementioned 318.64-acre unit (see the "*Application for Permit to Drill*" dated April 16, 2001); the well was subsequently spud on June 15, 2001, drilled to a total depth of 10,436 feet, whereby the Morrow test is described as "not successful." The shallower Atoka interval was subsequently tested and completed on October 5, 2001. However, this production is considered to be marginal and Murchison now intends to recompleat up-hole into the Wolfcamp formation (to be within the governing limits of the proposed *North Anderson-Wolfcamp Pool*) with perforations from 7,510 feet to 7,524 feet. 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 SE/4 SE/4 (Unit P) of irregular Section 2.

By the authority granted me under the provision of Division Rule 104.F (2), as revised, 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", is written over a large, stylized, and somewhat illegible signature that spans across the signature line and into the margin.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia