



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

March 20, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Primal Energy Corporation
211 Highland Cross - Suite 227
Houston, Texas 77073
Attention: John Abernethy
j.abernethy@primalenergy.net

Telefax No. (281) 821-5602

Administrative Order NSL-4626-A (BHL)

Dear Mr. Abernethy:

Reference is made to the following: (i) your initial application (*application reference No. pKRV0-207456863*) filed with the New Mexico Oil Conservation Division ("Division") on March 15, 2002; (ii) a telefaxed letter dated March 19, 2002 from Mr. Joe Gilmer containing supplemental information to support your request; (iii) Mr. Gilmer's telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe, on Tuesday, March 19, 2002; (iv) your telephone conversation with Mr. Stogner on March 19, 2002; (v) your telefax to the Division of March 19, 2002 with supplemental information; and (vi) the Division's records Santa Fe: all concerning Primal Energy Corporation's ("Primal") request for a non-standard subsurface oil producing area/bottomhole oil well location within a project area [see Division Rule 111.A (9)] comprising Lot 10 (Unit J) of irregular Section 1, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, being a standard 40-acre oil spacing and proration unit for the Southeast Denton-Devonian Pool (96644).

This application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).

It is our understanding that Primal reentered the Knowles Well No. 1 (API No. 30-025-33177), located 3627 feet from the North line and 1425 feet from the East line (Lot 10/Unit J) of Section 1 (unorthodox oil well location approved by Division Order No. R-10509), in August, 2001 under the authority of Division Administrative Order NSL-4626 (BHL) for the purpose of directionally drilling and recompleting to a new unorthodox subsurface Devonian oil well location within Lot 9 (Unit I) of irregular Section 1. It is further understood that mechanical problems were encountered which cause Primal to abandon its efforts within this 40-acre unit. At this time Primal is requesting to attempt a new recompletion within the Southeast Denton-Devonian Pool by sidetracking in a southwesterly direction to a targeted non-standard bottomhole location within the 40-acre tract comprising Lot 10 (Unit J) 3736 feet from the North line and 1520 feet from the East

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line of Section 1.

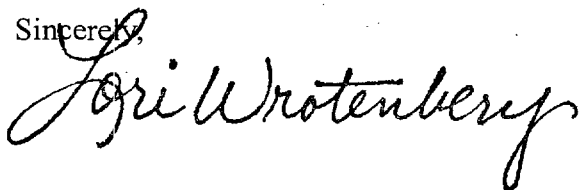
Further, the area comprising all of irregular Section 1 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-1222) in which Primal is the recognized leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under Division Rule 104.F (2), Primal is hereby authorized to recomplete its Knowles Well No. 1 as close as is reasonably possible to a targeted subsurface location within the Devonian formation underlying the proposed 40-acre unit comprising Lot 10 (Unit J) of irregular Section 1 considered to be unorthodox 3736 feet from the North line and 1520 feet from the East line of Section 1.

Further, Primal shall comply with all provisions of Division Rule 111 applicable in this matter.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: NSL-4626
Joe Gilmer, Gilmer and Associates - Midland, Texas (joedadgilmer@msn.com)