



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

April 21, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Pecos Production Company
400 West Illinois – Suite 1070
Midland, Texas 79701
Attention: **William R. Huck**
billh@pecosproduction.com

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT **2**

Administrative Order NSL-4861

Dear Mr. Huck:

Reference is made to the following: (i) your initial application that was submitted to the New Mexico Oil Conservation Division ("Division") on April 4, 2003 (**administrative application reference No. pKRV0-309734445**); (ii) the Division's response by letter dated April 9, 2003 from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe, New Mexico **denying** this application; (iii) your re-submittal of this application with amendments to the Division on April 15, 2003; (iv) your telephone conversations with Mr. Stogner on April 14, 16, and 17, 2003; and (v) the Division's records in Santa Fe: all concerning Pecos Production Company's ("Pecos") request for an unorthodox oil well location in both the Undesignated Southeast Dean-Wolfcamp Pool (**97005**) and Undesignated Northeast Lovington-Upper Pennsylvanian Pool (**40760**) for its proposed Overland Well No. 1 to be drilled 1276 feet from the South line and 1724 feet from the West line (Unit V) of Irregular Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

The Northeast Lovington-Upper Pennsylvanian Pool is governed by the "*Special Rules and Regulations for the Northeast Lovington-(Upper) Pennsylvanian Pool*", as promulgated by Division Order No. R-3816, as amended, which provides for 80-acre spacing and proration units consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section, being a legal subdivision of the United States Public Land Surveys (see Rule 2) and for wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot (see Rule 4).

The spacing and well location requirements for the Southeast Dean-Wolfcamp Pool is governed under the provisions of Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires wells to be located no closer than 330 feet to the outer boundary of such 40-acre unit.

In accordance with the two aforementioned spacing rules: (i) the E/2 SW/4 of Irregular Section 2, being a standard 80-acre stand-up oil spacing and proration unit for the Undesignated

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Pecos Production Company
April 21, 2003
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Northeast Lovington-(Upper) Pennsylvanian Pool; and (ii) the SE/4 SW/4 of Irregular Section 2, being a standard 40-acre oil spacing and proration unit for the Undesignated Dean-Wolfcamp Pool: are to be dedicated, respectively, to the subject Overland Well No. 1.

The subject application has been duly filed under the provisions of Division Rule 104.F, as revised, and the applicable provisions of the rules governing the Northeast Lovington-(Upper) Pennsylvanian Pools.

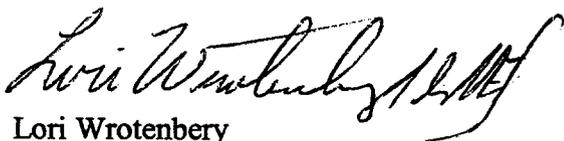
It is our understanding that Pecos is seeking this location exception based on a 3-D seismic survey of a defined Wolfcamp pinnacle reef, whereby it contends that the staked location is at the optimal location to test this limited structure. Further, topographic conditions further restrict placement of a drilling pad in the SE/4 SW/4 of Section 2.

It is further understood that the S/2 of Irregular Section 2 is a single fee lease in which Pecos is the leasehold operator.

By the authority granted me under the provisions of: (i) Rule 5 of the special pool rules for the Northeast Lovington-(Upper) Pennsylvanian Pool; and (ii) Division Rule 104.F (2), as revised, the unorthodox Wolfcamp/Upper Pennsylvanian oil well location of Pecos's proposed Overland Well No. 1 to be drilled 1276 feet from the South line and 1724 feet from the West line (Unit V) of Irregular Section 2 is hereby approved.

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

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Pecos Production Company 400 W. Illinois, Suite 1070 Midland, TX 79701		² OGRID Number 215758
		³ API Number 30-025-36259
³ Property Code 32179	⁵ Property Name Overland	⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
V	2	16-S	37-E		1276'	South	1724'	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Southeast Dean-Wolfcamp					¹⁰ Proposed Pool 2 Northeast Lovington-Upper Penn				

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3791'
¹⁴ Multiple No	¹⁷ Proposed Depth 11,500'	¹⁸ Formation Wolfcamp	¹⁹ Contractor Unknown	²⁰ Spud Date As Soon As Approved

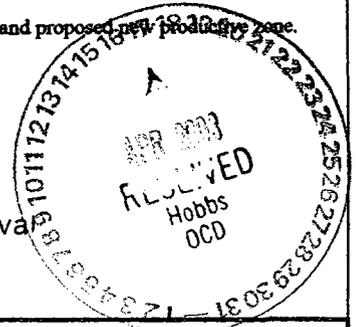
²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	400'	400 sxs	Circ
11"	8-5/8"	32#	4,800'	865sxs	500'
7-7/8"	5-1/2"	17#	11,500'	465 sxs	7,000'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

See Attached Well Program.

Permit Expires 1 Year From Approval Date Unless Drilling Underway



²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: <i>William R. Huck</i>		Approved by: ORIGINAL SIGNED BY CHRIS WILLIAMS	
Printed name: William R. Huck		Title: OC DISTRICT SUPERVISOR/GENERAL MANAGER	
Title: VP - Engr. & Operations		Approval Date: APR 22 2003	Expiration Date:
Date: 4-14-03	Phone: (915) 620-8480	Conditions of Approval:	
		Attached <input type="checkbox"/>	