

BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT

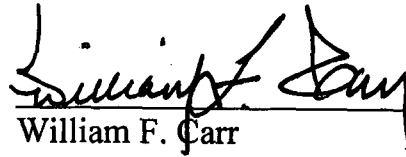
APPLICATION OF BP AMERICA PRODUCTION
COMPANY FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE BLANCO-
MESAVERDE GAS POOL, SAN JUAN COUNTY,
NEW MEXICO

CASE NO. 13483

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr, attorney in fact and authorized representative of BP America
Production Company, the Applicant herein, being first duly sworn, upon oath, states that
notice of the above-referenced Application was mailed to the interested parties shown on
Exhibit "A" attached hereto in accordance with Oil Conservation Division Rules, and that
true and correct copies of the notice letter and proof of notice are attached hereto.


William F. Carr

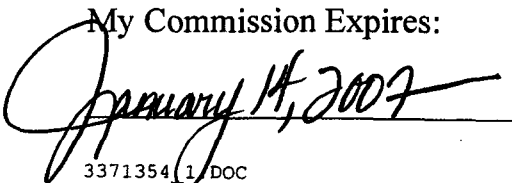
SUBSCRIBED AND SWORN to before me this 26th day of April 2005.



OFFICIAL SEAL
LISAMARIE ORTIZ
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires 1/14/07
Notary Public

My Commission Expires:


3371354 1 DOC

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13483 Exhibit No. 7
Submitted by:
BP AMERICA, INC.
Hearing Date: May 19, 2005

EXHIBIT A

**APPLICATION OF
BP AMERICA PRODUCTION COMPANY,
FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE
BLANCO-MESAVERDE GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

NOTIFICATION LIST

Evelyn J. Bailey IRREV TRS
Wells Fargo OGM OPS AU 10291
Denver, Colorado 80217

Burlington Resources Oil & Gas Company
Post Office Box 840656
Dallas, Texas 75284-0656

Burlington Resources Oil & Gas Company
3401 East 30th Street
Farmington, New Mexico 87402

DNR Oil & Gas, Inc.
12741 East Caley, Unit 142
Englewood, Colorado 80111

Energen Resources Corp.
605 Richard Arlington Jr. Blvd North
Birmingham, Alabama 35203-2707

WPC Oil & Gas LP
8333 Douglas Ave. Suite 950
Dallas, Texas 75225-5811

XTO Energy Inc.
135 South LaSalle St. Dept. 4849
Chicago, Illinois 60674-4849



April 22, 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS:

Re: Application of BP America Production Company for an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that BP America Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool to permit it to produce the following two Mesaverde wells located in the same quarter-quarter section (SE/4 NE/4) on a standard spacing unit comprised of the East half of Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico:

the Holmberg Gas Com Well No. 1R (API No. 30-045-29299) which was directionally drilled from a surface location 990 feet from the North line and 1710 feet from the East line (Unit B) to a bottomhole location 1847 feet from the North line and 823 feet from the East line (Unit H) of said section, and

the Holmberg Gas Com Well No. 1B (API No. 30-045-30270) located 2200 feet from the North line and 1220 feet from the East line (Unit H) of the section.

This application was originally set for hearing on May 5, 2005 and has now been continued to the hearing before a Division Examiner on May 19, 2005 at Porter Hall located in the Division's Santa Fe Offices. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing at the Oil Conservation Division's Santa Fe Office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call

HOLLAND & HART^{LLP}



to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr

ATTORNEY FOR BP AMERICA PRODUCTION COMPANY

Enc.

cc: J. William Hawkins
BP America Production Company

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF
BP AMERICA PRODUCTION COMPANY,
FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE
BLANCO-MESAVERDE GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

BP America Production Company, (BP), through its undersigned attorneys, hereby makes application for an order granting an exception to the well density requirements of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to simultaneously produce two wells in a single quarter-quarter section and in support of its application states:

1. BP is the operator of a standard 320-acre spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the E/2 of Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

2. The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. (Order No. R-8170, as superseded by Order No. R-10987-A, effective February 1, 1999 and amended by Order No. R-10981-A(1), effective December 2, 2002). These Special Pool Rules and Regulations provide:

II. ACREAGE AND WELL LOCATION REQUIREMENTS

- A. Standard GPU (Gas Proration Unit): A Standard GPU in the Blanco-Mesaverde Pool shall be 320-acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.

B. Well density:

(1) Up to four (4) wells may be drilled on a standard GPU, as follows:

- (a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;
- (b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter-quarter not containing a Mesaverde Well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;
- (c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;
- (d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;
- (e) no more than two wells shall be located within either quarter section in a GPU, and
- (f) any deviation from the above-described well density requirements shall be authorized only after hearing....

3. In the fall 1995, BP directionally drilled the Holmberg Gas Com Well No. 1R (API No. 30-045-29299) as a high-angle well on this 320-acre GPU from a surface location 990 feet from the North line and 1710 feet from the East line (Unit B) to a bottomhole location 1847 feet from the North line and 823 feet from the East line (Unit H) of said Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

4. The primary objective in the Holmberg Gas Com Well No. 1R was the Blanco-Mesaverde Gas Pool and the well was permitted as a Mesaverde test. The well fully complied with applicable Mesaverde well density requirements.

5. In the summer of 2001, BP drilled its Holmberg Gas Com Well No. 1B (API No. 30-045-30270) on this 320-acre GPU at a location 2200 feet from the North line and 1220 feet from the East line (Unit H) of said Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

6. The primary objective in this the Holmberg Gas Com Well No. 1B was the Blanco-Mesaverde Gas Pool and the Well was permitted as a Mesaverde test.

7. The Holmberg Gas Com Well No. 1R and the Holmberg Gas Com Well No. 1B produce from correlative intervals in the Mesaverde formation until BP discovered that both Wells were completed in the same quarter-quarter section in violation of the density requirements of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool at which time BP shut in the Holmberg Gas Com Well No. 1B(?). The well remains shut-in and is not producing from the Mesaverde formation.

8. While the total number of wells on this Mesaverde GPU is less than what is allowed, both the Holmberg Gas Com Well No. 1R and the Holmberg Gas Com Well No. 1B are located in the same quarter-quarter Section.

9. BP therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I B. of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool approving the location of the Holmberg Gas Com Well No. 1B in the Mesaverde formation and authorizing BP to simultaneously produce both the Holmberg Gas Com Wells No. 1R and 1B located in the SE/4 NE/4 of said Section 28. At full development of the GPU, BP will operate only two Mesaverde wells in the NE/4 of said Section 28 and no more than four wells in this 320-acre GPU. BP therefore does not seek to increase the number of wells in this GPU.

10. Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool, and will afford BP the opportunity to utilize the existing wells to produce the reserves from this GPU.

11. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, BP America Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 5, 2005 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool approving location of the Holmberg Gas Com Well No. 1B in the Mesaverde formation and authorizing BP to simultaneously produce both the Holmberg Gas Com Wells No. 1R and 1B located in the SE/4 NE/4 of Section 28, Township 32 North, Range 10 West, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR BP AMERICA
PRODUCTION COMPANY

CASE _____:

Application of BP America, Inc. for an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant in the above-styled cause seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following two Mesaverde wells located in the same quarter-quarter section (SE/4 NE/4) on a standard spacing and proration unit comprised of the East half of Section 28, Township 32 North, Range 10 West, NMPM:

the Holmberg Gas Com Well No. 1R (API No. 30-045-29299) which was directionally drilled from a surface location 990 feet from the North line and 1710 feet from the East line (Unit B) to a bottomhole location 1847 feet from the North line and 823 feet from the East line (Unit H) of said section, and

the Holmberg Gas Com Well No. 1B (API No. 30-045-30270) located 2200 feet from the North line and 1220 feet from the East line (Unit H) the section.

Said wells are located approximately 12 miles northeast of Aztec, New Mexico.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

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- Attach this card to the back of the mailpiece, or on the front if space permits.

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

1. Article Addressed to:

Evelyn J. Bailey IRREV TRS
Wells Fargo OGM OPS AU 10291
Denver, Colorado 80217

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy

7001 1140 0002 9558 0517

PS Form 3811, July 1999

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102595-00-M-0952

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A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

1. Article Addressed to:

Burlington Resources Oil & Gas
Company
Post Office Box 840656
Dallas, Texas 75284-0656

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy for

7001 1140 0002 9558 0524

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102595-00-M-0952

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A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

1. Article Addressed to:

Burlington Resources Oil & Gas
Company
3401 East 30th Street
Farmington, NM 87402

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy

7001 1140 0002 9558 0531

PS Form 3811, July 1999

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44461.0030 Postage \$ 1.06

Certified Fee 2.30

Return Receipt Fee (Endorsement Required) 1.75

Restricted Delivery Fee (Endorsement Required)

Total Postage & Fees \$ 5.11

SANTA FE NM APR 25 1999

Sent To Evelyn J. Bailey IRREV TRS
Wells Fargo OGM OPS AU
Denver, Colorado 80217

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage)

OFFICIAL MAIL

44461.0030 Postage \$ 1.06

Certified Fee 2.30

Return Receipt Fee (Endorsement Required) 1.75

Restricted Delivery Fee (Endorsement Required)

Total Postage & Fees \$ 5.11

SANTA FE NM APR 25 1999

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Dallas, Texas 75284-0656

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SANTA FE NM APR 25 1999

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3401 East 30th Street
Farmington, NM 87402

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

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COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Sabrina Burdette 4/27/05

C. Signature

X Sabrina Burdette

☐ Agent ☐ Address
D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered ☒ Return Receipt for Merchandise

☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

4461.0030

Postage

\$ 1.06

Certified Fee

2.30

Return Receipt Fee
(Endorsement Required)

1.75

Restricted Delivery Fee
(Endorsement Required)

\$ 5.11

Total Postage & Fees

Sent To

DNR Oil & Gas, Inc.

Street, Apt. No., or PO Box No. 12741 East Caley, Unit 142

City, State, ZIP+4 Englewood, Colorado 80111

Postmaster: DNR Oil & Gas, Inc.
12741 East Caley, Unit 142
Englewood, Colorado 80111

Article Number (Copy from) 7001 1140 0002 9558 0548

PS Form 3800,

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-094

U.S. Postal Service

CERTIFIED MAIL RECEIPT

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Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

A. Received by (Please Print Clearly) B. Date of Delivery

K. Cubser

C. Signature

X K. Cubser

☐ Agent ☐ Address
D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered ☒ Return Receipt for Merchandise

☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

4461.0030

Postage

\$ 1.06

Certified Fee

2.30

Return Receipt Fee
(Endorsement Required)

1.75

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$ 5.11

Sent To

Energen Resources Corp.

Street, Apt. No., or PO Box No. 605 Richard Arlington Jr. Blvd

City, State, ZIP+4 North Birmingham, AL 35203-2707

1. Article Addressed to:
Energen Resources Corp.
605 Richard Arlington Jr. Blvd
North
Birmingham, AL 35203-2707

2. Article Number (Copy) 7001 1140 0002 9558 0555

PS Form 3811, July 1999

Domestic Return Receipt

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U.S. Postal Service

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Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

A. Received by (Please Print Clearly) B. Date of Delivery

G. D. S. 4-29

C. Signature

X G. D. S.

☐ Agent ☐ Address
D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered ☒ Return Receipt for Merchandise

☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

4461.0030

Postage

\$ 1.06

Certified Fee

2.30

Return Receipt Fee
(Endorsement Required)

1.75

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$ 5.11

1. Article Addressed to:
WPC Oil & Gas LP
8333 Douglas Avenue, Suite 950
Dallas, TX 75225-5811

2. Article Number (Copy) 7001 1140 0002 9558 0562

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

Sent To

WPC Oil & Gas LP

Street, Apt. No., or PO Box No. 8333 Douglas Avenue, Suite

City, State, ZIP+4 Dallas, TX 75225-5811

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only, No Insurance Coverage)

Holland

44461
0030

Postage \$ 1.06
Certified Fee 2.30

Return Receipt Fee
(Endorsement Required)

1.75

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees \$ 5.11



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- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

XTO Energy Inc.
135 South LaSalle St. Dept 4849
Chicago, Illinois 60674-4849

2. Article Number (Copy from

7001 1140 0002 9558 0579

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *DEDRICK BLANCHARD* B. Date of Delivery *5-2-05*

C. Signature *[Signature]* ☒ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Sent To
Street, Apt. No.;
or PO Box No. 135 South LaSalle St. Dep
City, State, ZIP+4 Chicago, Illinois 60674-4849

AFFIDAVIT OF PUBLICATION

Ad No. 51526

STATE OF NEW MEXICO County of San Juan:

CONNIE PRUITT, being duly sworn says:
That she is the CLASSIFIED MANAGER of
THE DAILY TIMES, a daily newspaper of
general circulation published in English at
Farmington, said county and state, and that
the hereto attached Legal Notice was
published in a regular and entire issue of the
said DAILY TIMES, a daily newspaper duly
qualified for the purpose within the meaning of
Chapter 167 of the 1937 Session Laws of the
State of New Mexico for publication and
appeared in the Internet at The Daily Times
web site on the following day(s):

Monday, April 18, 2005.

And the cost of the publication is \$123.44.

Connie Pruitt

ON 4/19/05 CONNIE PRUITT
appeared before me, whom I know personally
to be the person who signed the above
document.

Wynell Corey
My Commission Expires November 17, 2008.

COPY OF PUBLICATION

918

Legals

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on May 5, 2005, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by April 25, 2005. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 13483:

Application of BP America, Inc. for an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant in the above-styled cause seeks an exception to the well density requirements of Rule 1.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following two Mesaverde wells located in the same quarter-quarter section (SE/4 NE/4) on a standard spacing and proration unit comprised of the East half of Section 28, Township 32 North, Range 10 West, NMPM:

the Holmberg Gas Corn Well No. 1R (API No. 30-045-29299) which was directionally drilled from a surface location 990 feet from the North line and 1710 feet from the East line (Unit B) to a bottomhole location 1847 feet from the North line and 823 feet from the East line (Unit H) of said section, and

the Holmberg Gas Corn Well No. 1B (API No. 30-045-30270) located 2200 feet from the North line and 1220 feet from the East line (Unit H) the section.

Said wells are located approximately 12 miles northeast of Aztec, New Mexico.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 12th day of April 2005.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Mark E. Fesmire, P.E., Director

Legal No. 51526 published in The Daily Times, Farmington, New Mexico on Monday, April 18, 2005.