



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 27, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Petrohawk Operating Company

c/o **Holland & Hart LLP**

Attention: Ms. Ocean Munds-Dry (omundsdry@hollandhart.com)

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

ADDENDUM

Administrative Order SD-06-13

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your application on behalf of the operator, Petrohawk Operating Company ("Petrohawk"), submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 21, 2006 (*administrative application reference No. pTDS0-617259331*); (ii) your e-mail to Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on Wednesday afternoon, July 26, 2006 checking on the status of this application; and (iii) the records of the Division in Santa Fe, including the files on Division Administrative Orders NSP-1878 (SD), NSL-2816 (SD), NSL-2816-A (SD), NSL-2816-B (SD), NSL-2816-C (SD), NSL-2816-D (SD), NSL-2816-E (SD), SD-99-07, SD-99-07 (1), and SD-06-13 and the records of Division Cases No. 9775 (which resulted in the issuance of Division Order No. R-9073) and 12304 (which resulted in the issuance of a dismissal by Division Order No. 11352): all concerning Petrohawk's plans for the continued development of the Jalmat Gas Pool (79240) within the existing non-standard 600-acre gas spacing unit comprising the NE/4, NE/4 NW/4, S/2 NW/4, and S/2 of Section 8, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico.

Your application has been duly filed under the provisions of the "Special Pool Rules for the Jalmat Gas Pool," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001.

Division Administrative Order NSP-1878 (SD), dated October 19, 2004, established the subject 600-acre unit for the following eight wells:

- (1) State "A" A/C-2 Well No. 3 (API No. 30-025-08829), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 8, which well was the subject of Administrative Orders SD-99-7, dated June 30, 1999, SD-99-7 (1), dated March 30, 2000, and NSL-2816-D (SD), dated December 27, 2001;
- (2) State "A" A/C-2 Well No. 24 (API No. 30-025-08833), located at a standard infill gas well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 8, which well was also the subject of Division Administrative Orders NSL-2816 (SD), dated June 28, 1990, SD-99-7, and NSL-2816-C (SD), dated October 13, 1999;

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- (3) State "A" A/C-2 Well No. 25 (API No. 30-025-08834), located at a standard infill gas well location 660 feet from the North and East lines (Unit A) of Section 8, which well was also the subject of Division Administrative Order NSL-2816-C (SD);
- (4) State "A" A/C-2 Well No. 26 (API No. 30-025-08835), located at a standard infill gas well location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 8, which well was also the subject of Division Administrative Order NSL-2816 (SD);
- (5) State "A" A/C-2 Well No. 43 (API No. 30-025-08837), located at a standard infill gas well location 1650 feet from the North line and 990 feet from the West line (Unit H) of Section 8, which well was the subject of Division Order No. R-9073;
- (6) State "A" A/C-2 Well No. 54 (API No. 30-025-08841), located at a standard infill gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 8, which well was the subject of Division Administrative Order NSL-2816-E (SD);
- (7) State "A" A/C-2 Well No. 70 (API No. 30-025-28279), located at an unorthodox infill gas well location [approved by Division Administrative Order NSL-2816-B (SD), dated April 21, 1992] 1295 feet from the South and East lines (Unit P) of Section 8; and
- (8) State "A" A/C-2 Well No. 76 (API No. 30-025-34672), located at a standard infill gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 8, which well was also the subject of Division Administrative Order NSL-2816-D (SD).

By Division Administrative Order SD-06-13, dated May 30, 2006, the following two additional wells were approved for this 600-acre unit:

- (9) State "A" A/C-2 Well No. 94 (API No. 30-025-37909), to be drilled at a standard gas well location 1930 feet from the South line and 660 feet from the West line (Unit L) of Section 8; and
- (10) State "A" A/C-2 Well No. 95 (API No. 30-025-37910), to be drilled at a standard gas well location 1980 feet from the North line and 1780 feet from the West line (Unit F) of Section 8.

It is the Division's understanding that Petrohawk now intends to drill the following two wells as infill gas wells within this 600-acre unit:

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(a) State "A" A/C-2 Well No. 91, which is to be drilled at a standard gas well location 660 feet from the South and West lines (Unit M) of Section 8; and

(b) State "A" A/C-2 Well No. 92, which also is to be drilled at a standard gas well location 660 feet from the South line and 2180 feet from the West line (Unit N) of Section 8.

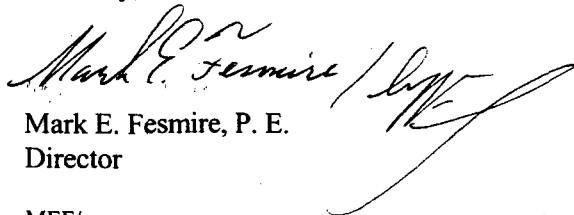
In addition to these two new wells Petrohawk also intends to re-enter the plugged and abandoned Clayton Williams Energy, Inc. State "A" A/C-2 Well No. 49 (API No. 30-025-08838), which is located at a standard infill gas well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 8, and attempt a recompletion into the Jalmat interval as a gas well. This well was also the Subject of Division Order No. R-9073 and Division Administrative Orders NSL-2816 (SD), NSL-2816-A (SD), NSL-2816-B (SD), and SD-99-7.

By the authority granted me under the provisions of Rules 4 (B) and (D) of the special rules governing the Jalmat Gas Pool, Petrohawk is hereby authorized to simultaneously dedicate Jalmat gas production to the above-described 600-acre non-standard gas spacing unit from the thirteen above-described State "A" A/C-2 Wells No. 3, 24, 25, 26, 43, 49, 54, 70, 76, 91, 92, 94, and 95.

All provisions applicable to the existing 600-acre non-standard gas spacing unit in Division Administrative Orders NSP-1878 (SD), NSL-2816-B (SD), and SD-06-13 (dated May 30, 2006) not in conflict with this order shall remain in full force and affect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,


Mark E. Fesmire, P. E.
Director

MEF/ms

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

File: NSP-1878 (SD)
NSL-2816 (SD)
NSL-2816-A (SD)
NSL-2816-B (SD)
NSL-2816-C (SD)
NSL-2816-D (SD)
NSL-2816-E (SD)
SD-99-7
SD-06-13 (*administrative application reference No. pTDS0-612360632*)
Case No. 9775
Case No. 12304