

OCD - Artesia

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

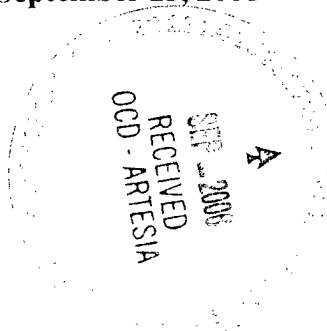
Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 25, 2006

OGX Resources, L.L.C.
c/o **W. Thomas Kellahin**
706 Gonzales Road
Santa Fe, New Mexico 87501



Administrative Order NSL-5463

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, OGX Resources, L.L.C. ("OGX") initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 15, 2006 (***administrative application reference No. pTDS0-622830681***); (ii) your telefax of September 2, 2006 amending your application; and (iii) the Division's records in Artesia and Santa Fe: all concerning OGX's request for an unorthodox Morrow gas well location for its existing Vasquez Well No. 1 (***API No. 30-015-23850***), located 2310 feet from the South line and 1980 feet from the East line (Unit J) of Section 11, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico.

The E/2 of Section 11, being a standard 320-acre stand-up deep gas spacing unit for the Malaga-Morrow Gas Pool (***80920***), is to be dedicated to this well.

Your application for OGX, as amended, has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

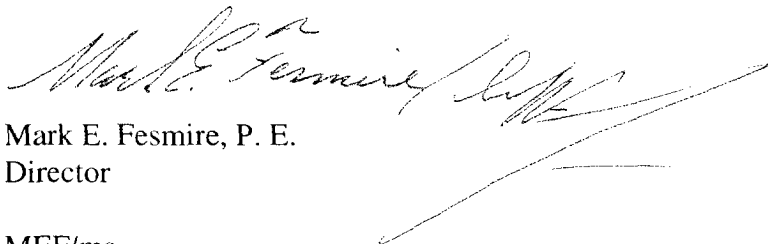
It is the Division's understanding that Coquina Oil Corporation of Midland, Texas originally drilled the above-described Vasquez Well No. 1 in late 1981/early 1982 to a total depth of 12,900 feet into the Morrow formation, but completed the well in the Malaga-Atoka Gas Pool (***80890***) within the E/2 of Section 11 at a location considered to be standard at that time.

It is further understood that OGX, who became the operator of this well on April 1, 2006, now intends to recomplete this well into the Morrow formation; however, pursuant to Division Rule 104.C (2) (a) now in affect, this location is now considered to be unorthodox for deep gas production in southeast New Mexico.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Morrow gas well location within this 320-acre unit is hereby approved.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
