



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

January 30, 2002

Lori Wrotenbery
Director
Oil Conservation Division

TMBR/Sharp Drilling, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Re: Administrative application (*application reference No. pKRV0-201555440*) for an unorthodox Wolfcamp oil well location for TMBR/Sharp Drilling, Inc.'s TMBR "19" State Well No. 1 (*API No. 30-025-35104*), located 2630 feet from the South line and 713 feet from the West line (Unit L) of Section 10, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico..

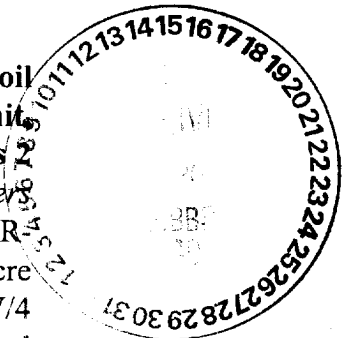
Dear Mr. Kellahin:

I have reviewed your request on behalf of the operator, TMBR/Sharp Drilling, Inc. for an unorthodox Wolfcamp oil well location within a 40-acre oil spacing and proration unit comprising the NW/4 SW/4 (Unit L) of Section 10. As you point out in the application, the East Saunders Permo-Pennsylvanian Pool is subject to special pool rules (see Division Order No. R-2359, as amended) requiring 160-acre spacing units in the form of a square, which is a governmental quarter section, and for wells to be within 150 feet of the center of any quarter-quarter. What was omitted from your application however was the fact that the Wolfcamp formation is within the vertical limits of the East Saunders Permo-Pennsylvanian Pool, thus the name. Also, since this well is within one mile of the pool boundaries, it is subject to these special pool rules.

Since I cannot approve this application administratively, it is therefore **denied**.

After further consideration in this matter, I have combined your request in this application and the Hobbs district office of the Division's directive to TMBR/Sharp Drilling, Inc. made on this well's "Application for Permit to Drill" ("APD") approved on July 21, 2000, and prepared the following advertisement that will appear on the Division's first available docked scheduled for February 21, 2002:

Application of TMBR/Sharp Drilling, Inc. for an unorthodox oil well location and a non-standard oil spacing and proration unit, Lea County, New Mexico. Applicant seeks exceptions to **Rules 2 and 3** of the "Special Rules and Regulations for the East Saunders Perm-Pennsylvanian Pool", as promulgated by Division Order No. R-2359, as amended, in order to: (i) establish a non-standard 160-acre oil spacing and proration unit comprising the S/2 NW and N/2 SW/4 of Section 10, Township 14 South, Range 34 East (which is located approximately 11 miles west of McDonald, New Mexico) within the

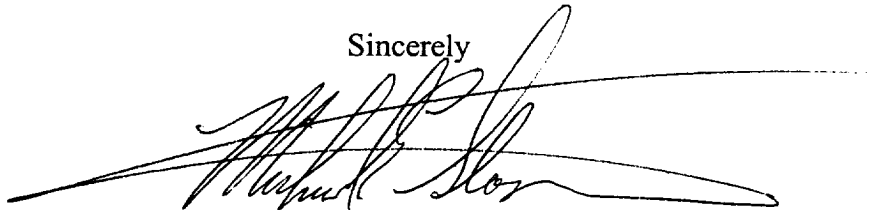


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Undesignated East Saunders Permo-Pennsylvanian Pool; and (ii) to dedicate thereon its existing TMBR "10" Well No. 1 (**API No. 30-025-35104**) which was drilled at an unorthodox oil well location 2630 feet from the South line and 713 feet from the West line (Unit L) of Section 14.

Should you have any questions concerning this matter, you may contact me in Santa Fe at (505) 476-3465.

Sincerely

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
Kathy Valdes - NMOCD, Santa Fe