



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

August 6, 2001

Lori Wrotenbery

Director

Oil Conservation Division

**Primal Energy Corporation
211 Highland Cross - Suite 227
Houston, Texas 77073
Attention: John Abernethy**

Telefax No. (281) 821-5602

Administrative Order NSL-4626(BHL)

Dear Mr. Abernethy:

Reference is made to the following: (i) your initial application dated June 19, 2001; (ii) your letter with supplemental information dated July 3, 2001; (iii) the New Mexico Oil Conservation Division's ("Division") initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated July 31, 2001; (iv) Ms. Kathleen Boni's telephone conversation with Mr. Stogner on Monday, August 6, 2001; and (v) the Division's records Santa Fe: all concerning Primal Energy Corporation's ("Primal") request for a non-standard subsurface oil producing area/bottomhole oil well location within a project area [see Division Rule 111.A (9)] comprising Lot 9 (Unit I) of irregular Section 1, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, being a standard 40-acre oil spacing and proration unit for the Southeast Denton-Devonian Pool.

This application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).

It is our understanding from the Division's records that Browning Oil Company, Inc. drilled the Knowles Well No. 1 (API No. 30-025-33177) in November, 1995 at an unorthodox oil well location (approved by Division Order No. R-10509) 3627 feet from the North line and 1425 feet from the East line (Lot 10/Unit J) of Section 1 and completed in the Southeast Denton-Devonian Pool within a standard 40-acre oil spacing and proration unit comprising Lot 10 (Unit J) of Section 1.

At this time Primal, being the successor operator of the Knowles Well No. 1, is requesting authorization to recomplete this well to a more geologically desirable location within the Devonian formation by sidetracking in a east-southeasterly direction to a targeted non-standard bottomhole location within the offsetting 40-acre tract to the east in Lot 9 (Unit I) 3940 feet from the North line and 1246 feet from the East line of Section 1.

It is further understood that the area comprising all of irregular Section 1 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-1222) in which Primal is