



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

November 14, 2001

Lori Wrotenbery
Director
Oil Conservation Division

American Inland Resources Company, LLC
P. O. Box 50938
Midland, Texas 79710
Attention: Michael D. Prichard

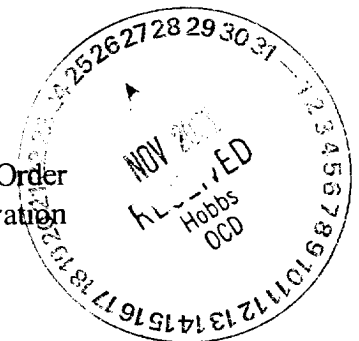
*Reinstatement of Division
Administrative Order NSP-977*

Dear Mr. Prichard:

Reference is made to the following: (i) your application dated August 27, 2001 (*application reference No. pKRV0-124836078*); (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Hearing Officer/Engineer in Santa Fe, dated October 30, 2001; (iii) your response by letter dated November 5, 2001 with the additional information that serves to complete your application; and (iv) the Division's records in Santa Fe, including the file on Division Administrative Order NSP-077: all concerning American Inland Resources Company, LLC's ("American Inland") request to reinstate a previously approved non-standard 120-acre gas spacing and proration unit ("GPU") in the Jalmat Gas Pool (79240) comprising the E/2 SE/4 and SW/4 SE/4 of Section 21, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.

The rules and procedures currently governing the Jalmat Gas Pool include but are not necessarily limited to:

- (i) the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (ii) Division Rule 605.B (2) (b);
- (iii) Division Rules 104.D (2) and 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;
- (iv) Division Rules 1207.A (2) and (3); and
- (v) the amended Stipulated Declaratory Judgment of the First Judicial District Court in Santa Fe County, New Mexico issued on July 11, 2001 in Hartman vs. Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgment").



By Division Administrative Order NSP-977, dated November 6, 1974, this 120-acre GPU was established and had simultaneously dedicated American Inland's: (i) Hadfield Well No. 1 (**API No. 30-025-11676**), located at a standard gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 21; and (ii) **Hadfield Well No. 2 (API No. 30-025-11675)**, located at a standard gas well location 660 feet from the South and East lines (**Unit P**) of Section 21.

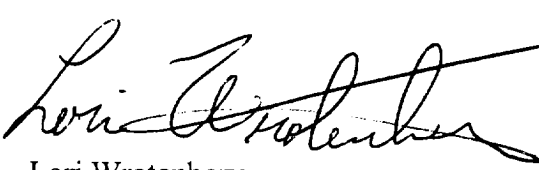

It is our understanding that the Hadfield Well No. 1 was reclassified from a Jalmat gas well to an oil well in March, 1987 and was just recently shut-in. The Hadfield Well No. 2 was reclassified from a Jalmat gas producer to an oil well in January, 1987. Essentially this 120-acre GPU ceased to exist in 1987 when both wells were reclassified. It is further understood that after a recent workover the Hadfield Well No. 2 was again reclassified a Jalmat gas well.

By the authority granted me under the provisions of these rules, regulations, and directives, the above-described 120-acre GPU should be restored for the above-described Hadfield Well No. 2. Also, American Inland is permitted to produce the allowable to be assigned thereto in accordance with Rule 5 of the rules governing the Jalmat Gas Pool based upon the respective unit size of 120 acres.

It is further ordered that all provisions applicable to the subject GPU in Division Administrative Orders NSP-667, not in conflict with this order, shall remain in full force and affect until further notice. It shall be further noted that the operator of this GPU shall abide by all applicable provisions governing the Jalmat Gas Pool including Rule 2 (a) 3 which forbids the simultaneous dedication of acreage assigned a gas well with an oil well.

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

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
File: NSP-977

