

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 30, 2001

Lori Wrotenberg
Director
Oil Conservation Division

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

Administrative Order NSP-1849(L)

Dear Mr. Prichard:

Reference is made to the following: (i) your application dated August 8, 2001 (*application reference No. pKRV0-122246581*); and (ii) the New Mexico Oil Conservation Division's ("Division") records in Santa Fe, including the files on Division Order No. R-5286 and Division Administrative Order NSL-2340: all concerning American Inland Resources Company, LLC's ("American Inland") request for a 40-acre non-standard gas spacing and proration unit ("GPU") consisting of the following acreage in the Jalmat Gas Pool (79240):

LEA COUNTY, NEW MEXICO
TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 22: SW/4 NW/4.

This unit is to be dedicated to American Inland's recently drilled **Airport Well No. 2 (API No. 30-025-35198)**, located at an unorthodox gas well location 2010 feet from the North line and 990 feet from the West line (**Unit E**) of **Section 22**. It is the Division's understanding that this well was drilled to a total depth of 3,400 feet to test the Queen formation of the Langlie-Mattix Pool at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 of Section 22; however, the Yates interval was completed as a gas well and pursuant to Rule 4 (b) 2 of the special rules governing the Jalmat Gas Pool this location is unorthodox for the proposed 40-acre GPU.

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").

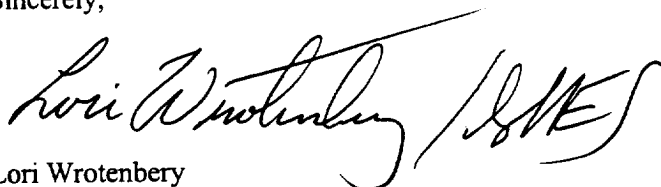
By the authority granted me under the provisions of these rules, regulations, and directives, the above-described non-standard 40-acre GPU within the Jalmat Gas Pool and unorthodox gas well location for the above-described Airport well No. 2 are hereby approved.

Further, 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 40 acres.

PLEASE NOTE HOWEVER THAT, in the future, American Inland, as a prudent operator, shall be more cognizant of all well location requirements within the different producing horizons to be encountered by a wellbore prior to drilling. Otherwise, such request for an exception to the applicable rules will require a hearing before approval is granted.

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

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
File: NSL-2340(SD)

REMARKS: The previously established 160-acre non-standard Jalmat gas spacing and proration unit comprising the E/2 NE/4 and W/2 NW/4 of Section 22, which was approved by Division Order No. R-5286, issued in Case No. 5754 on September 28, 1976, authorized to be simultaneously dedicated to the: (i) ARCO Well No. 2-Y (API No. 30-025-25174), located at a standard gas well location 1770 feet from the North line and 660 feet from the East line (Unit H) of Section 21, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico; and (ii) Lanehart "22" Well No. 1 (API No. 30-025-25742), located 660 feet from the North and West lines (Unit D) of Section 22, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico [which was the subject of Division Administrative Order NSL-2340 (SD), dated May 11, 1987] appears to be no longer in effect. Division records indicate that the Lanehart "22" Well No. 1 was never completed in the Jalmat interval and

the ARCO Well No. 2-Y is completed in the Jalmat Gas Pool as an oil well; therefore, both Division Administrative Order NSL-2340 (SD) and Order No. R-5754 shall be placed in abeyance until further notice.