



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

March 26, 2001

Texaco Exploration & Production, Inc.

P. O. Box 3109

Midland, Texas 79702

Attention: Phil Ryan

Administrative Order NSL-4566

Dear Mr. Ryan:

Reference is made to the following: (i) your application dated February 27, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Texaco Exploration & Production, Inc.'s ("Texaco") request for an unorthodox oil well location in the Dollarhide-Devonian, Dollarhide-Ellenburger, and Dollarhide-Fusselman Pools for the proposed Mexico "J" Well No. 27 to be drilled 165 feet from the South line and 2320 feet from the East line (Unit O) of Section 32, Township 24 South, Range 38 East, NMPM, Lea County, New Mexico.

The SW/4 SE/4 (Unit O) of Section 32 being a standard 40-acre oil spacing and proration unit for all three producing intervals is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 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.

It is our understanding that Texaco is seeking this location exception based on its engineering and geological interpretation of the Ellenburger formation of the immediate area, being the primary zone of interest, which indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the Ellenburger formation than a well drilled at a location considered to be standard within the SW/4 NE/4 of Section 32, thereby increasing the likelihood of obtaining commercial production.

It is further understood that the working and royalty interest ownership of the Mexico "J" lease in the S/2 of Section 32 and Texaco's Mexico "L" lease offsetting this well in the N/2 equivalent of Section 5, Township 25 South, Range 38 East, NMPM, Lea County, New Mexico, are identical.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location within the proposed 40-acre unit comprising the SW/4

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SE/4 (Unit O) of Section 32 for Texaco's proposed Mexico "J" Well No. 27 in the Dollarhide-Devonian, Dollarhide-Ellenburger, and Dollarhide-Fusselman Pools is hereby approved.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery / LWF".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs /
New Mexico State Land Office - Santa Fe