



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 8, 2008

Stephens & Johnson Operating Co.
Attn: Mr. Bob Gilmore
P.O. Box 2249
Wichita Falls, TX 76307-2249

Administrative Order NSL-5781

**Re: Central Drinkard Unit WSW Well No. 2
(to be re-named E.O. Carson Well No. 26)
API No. 30-025-24268
Unit L, Section 28-21S-37E
Lea County**

Dear Mr. Gilmore:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-01750392**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 17, 2008, and

(b) the Division's records pertinent to this request.

Stephens & Johnson Operating Co. has requested to re-complete the above-referenced water source well as a Penrose Skelly-Grayburg oil well at an unorthodox oil well location, 1420 feet from the South line and 400 feet from the West line (Unit L) of Section 28, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NW/4 SW/4 of Section 28 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Penrose Skelly-Grayburg Pool (50350). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the southern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location in order to utilize an existing wellbore.

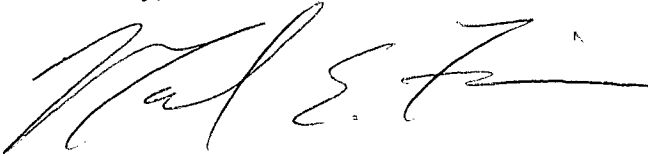
It is also understood that notice of this application to offsetting operators or owners is unnecessary because ownership of the offsetting unit towards which this location encroaches is identical with the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs