

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



February 28, 2008

Southwestern Energy Production Company
Attn: Ms. Martha C. Howard
2350 N Sam Houston Pkwy East
Houston, TX 77032

Administrative Order NSL-5794

Re: Karlsbad Corral 2 State Well No. 8H
API No. 30-015-35113
Unit L, Section 2-25S-29E
Eddy County

Dear Ms. Howard:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-03150920**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 31, 2008, and

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

Southwestern Energy Production Company (Southwestern) has requested to produce the above-referenced well as a horizontal well completed in the Delaware formation, at a location that is unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 2510 feet from the South line and 660 feet from the West line
(Unit L) of Section 2, Township 25S, Range 29E, NMPM
Eddy County, New Mexico

Point of Penetration: Same as surface location

Terminus 196 feet from the North line and 634 feet from the West line
(Unit D) of said Section 2.



The W/2 W/2 of Section 2 will be dedicated to the proposed well to form a project area consisting of adjacent, standard 40-acre spacing units in the Northwest Corral Canyon-Delaware Pool (96464). 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 unorthodox because a portion of the producing interval extends to a point less than 330 feet from the northern boundary of the project area, and therefore outside the producing area.

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 because of an inadvertent drilling error. It is further understood that the northernmost perforation in this well is more than 330 feet from the northern boundary of the project area.

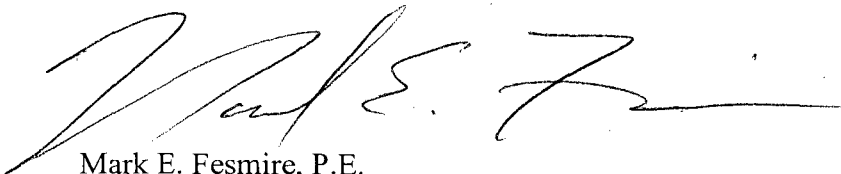
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

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 long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
United States Bureau of Land Management - Carlsbad