



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

July 9, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Merit Energy Company
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-4913 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application (*administrative application reference No. pKRV0-311952296*) that was submitted to the New Mexico Oil Conservation Division ("Division") on April 29, 2003; (ii) the Division's response by letter dated April 30, 2003 from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe denying this application; (iii) your re-submittal of this application on behalf of the operator, Merit Energy Company ("Merit"), to the Division on June 4, 2003; and (iv) the Division's records in Santa Fe: all concerning the operator's request for an exception to the provisions of Division Rule 104.C (2) (b), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for an infill gas well to be drilled at an unorthodox deep gas well location within an existing standard 317.68-acre lay-down gas spacing unit in the South Carlsbad-Morrow Gas Pool (73960) comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rule 104.F, as revised.

This 317.68-acre deep gas spacing unit is currently dedicated to Merit's Stephens "A" Com. Well No. 1 (API No. 30-015-20716), located at a standard gas well location 810 feet from the South line and 1980 feet from the West line (Unit N) of Section 7.

The geologic interpretation submitted with this application indicates that the proposed unorthodox infill deep gas well location will be at a more favorable geologic position within the Middle Morrow "D" Sand interval underlying the SE/4 of Section 7. Topographic conditions further restrict placement of the proposed well.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, and the applicable provisions of the special pool rules governing the South Carlsbad-Morrow Gas Pool, the following described well to be drilled at an unorthodox infill Morrow gas well location within this 317.68-acre unit is hereby approved:

Stephens "A" Com. Well No. 2
500' FSL & 1065' FEL (Unit P).

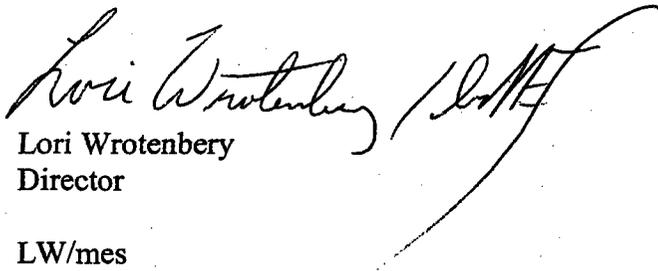
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Merit as operator of the aforementioned 317.68-acre unit is hereby authorized to simultaneously dedicate production attributed to the South Carlsbad-Morrow Gas Pool from its existing Stephens "A" Com. Well No. 1 with the proposed Stephens "A" Com. Well No. 2.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad