



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 20, 2007

Southwestern Energy Company
Attn: J. Alan Grimsley
2350 N. Sam Houston Pkwy East
Suite 300
Houston, TX 77032

Administrative Order NSL-5589

**Re: Corral Fly Federal Well No. 2H
H-10-25S-29E
Eddy County**

Dear Mr. Grimsley:

Reference is made to the following:

(a) your application (**administrative application reference No. pCLP07-05245214**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 20, 2007, and

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

Southwestern Energy Company (Southwestern) has requested to drill its Corral Fly Federal Well No. 2H as a horizontal well, at an unorthodox surface location, 2520 feet from the North line and 660 from the East line (Unit H) of Section 10, Township 25 South, Range 29 East, N.M.P.M., in Eddy County, New Mexico, to an unorthodox bottom hole location, or terminus, 200 feet from the North line and 660 feet from the East line (Unit A) of Section 10. The NE/4 NE/4 and the SE/4 NE/4 of Section 10 will be dedicated to this well in order to form an 80-acre project area, pursuant to Division Rule 111, consisting of two adjacent standard 40-acre spacing units in the undesignated West Corral Canyon Delaware Pool (13365). This pool is governed by statewide Rule 104.B, which provides for 40-acre units with wells located at least 330 feet from a unit outer boundary. This surface location is unorthodox since it is less than 330 feet from the southern unit boundary, and the bottomhole location is unorthodox under Rule 111 because the "producing interval," as defined in that rule, will not be entirely located 330 feet or more from the outer boundaries of the project area.

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

It is our understanding Southwestern is seeking this well configuration in order to penetrate as much of the formation within the project area as feasible, but that all perforations will be located within the producing area.

It is also understood that notice of this application has been given to affected persons in the offsetting unit to the south, towards which the surface location encroaches, but not to affected persons in the offsetting unit to the north towards which the terminus encroaches. However, we also understand that this well will be completed as a cased hole with all perforations within the orthodox producing area. In view of this understanding, notice to affected persons in the spacing unit to the north is not required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is **CONDITIONED HOWEVER** upon this well being completed as a cased hole with all perforations in the lateral shaft of this horizontal well being within the producing area. Any completion of this well not conforming to this condition will require amendment of this order.

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

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