



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

December 28, 1987

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Musselman, Owen & King Operating, Inc.
c/o Montgomery and Andrews, PA
P.O. Box 2307
Santa Fe, NM 87504-2307

Attention: W. Perry Pearce

Administrative Order NSL-2453

Gentlemen:

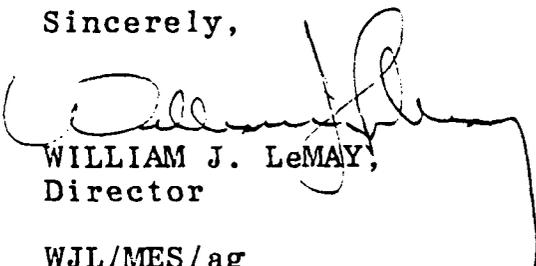
Reference is made to your application for a non-standard location for your Smith Federal Well No. 2 to be located 1650 feet from the South line and 330 feet from the West line (Unit L) of Section 1, Township 22 South, Range 23 East, NMPM, Indian Basin Upper Pennsylvanian Pool, Eddy County, New Mexico. All of said Section 1 shall be dedicated to the well forming a non-standard 673.32-acre gas spacing and proration unit.

It is our understanding that this well is to be a replacement well to the Hondo Oil & Gas Company Smith Federal Well No. 1 located 1930 feet from the North line and 2080 feet from the East line of said Section 1.

It is further understood that as per an agreement with the offsetting operators, production from this well will not exceed 54.57 percent of the standard monthly proration allowable for this unit, or 0.5457 times this units agreeage factor of 1.05.

By authority granted me under the provisions of Rule 2(c) of Division Order No. R-8170, as amended, the above-described unorthodox gas well location is hereby approved.

Sincerely,


WILLIAM J. LeMAY,
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia