



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



September 9, 2008

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

Administrative Order NSL-5922

Re: E.O. Carson Well No. 27
API No. 30-025-39024
2050 feet FNL and 1553 feet FWL
Unit F, Section 33-21S-37E
Lea County, New Mexico

Dear Mr. Gilmore:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-24130367**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 27, 2008, and

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

Stephens & Johnson Operating Co. (Stephens & Johnson) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The SE/4 NW/4 of Section 33 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 western 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 for geologic reasons.



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It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

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". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs