



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



January 27, 2008

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

Administrative Order NSL-5922-A

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. pKAA08-35954379**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 24, 2008, and

(b) the Division's records pertinent to this request, including the Division's records pertaining to Administrative Order NSL-5922.

Stephens & Johnson Operating Co. (Stephens & Johnson) has requested to complete the above-referenced well at an unorthodox gas well location, described above in the caption of this letter. The NW/4 of Section 33 will be dedicated to this well in order to form a standard 160-acre spacing unit in the Tubb Oil and Gas (Pro Gas) Pool (86440). The previous Order NSL-5922, issued on September 9, 2008, approved this location as a non-standard oil well location in the Penrose Skelly/Grayburg Pool(50350).

Spacing in the Tubb Oil and Gas (Pro Gas) pool is governed by the Special Rules and Regulations for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide for standard gas proration units of 160 acres, and further provide that a gas well in a unit comprising more than 40 acres shall be located at least 660 feet from any unit outer boundary or quarter section line, and at least 330 feet from any quarter-quarter section line. This



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proposed location is less than 660 feet from the southern unit boundary, and less than 330 feet from the nearest quarter-quarter section line.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location for geologic reasons.

We have been furnished a copy of a waiver of objection to this location executed by Apache Corporation who, we understand, is the only offsetting operator affected by this unorthodox location.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 5.9.

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', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs