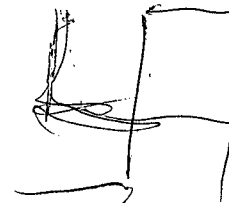


SMITH & MARRS INC.
BOX 863
KERMIT, TX 79445

OIL CONSERVATION DIVISION
RECEIVED
95 MAR - 1 AM 8 52

April 28, 1995



Mr. Michael Stogner
NMOCD
2040 S. Pacheco
Santa Fe, NM 87505

SUBJECT: Administrative approval for non-standard oil
proration unit
Smith & Marrs Inc, Junction Federal #1
K-17-8s-37e Roosevelt Co. API 30-041-20863



Dear Mr. Stogner:

The above subject well was purchased from Hanson Operating Co. Inc. with the intention of re-completing it from the Allison, Penn pool to the San Andres. The Allison Penn has special pool rules requiring 80 acres. Since our intent was to complete the well in the San Andres, we only obtained 40 acres when the well was purchased. After reviewing the logs on this well, it was decided not to attempt a re-completion in the San Andres. This well is capable of producing from the Penn formation. The enclosed production data indicates that the wells production from the Penn has declined to the point that it probably will produce anywhere from 10 to 20 barrels a month.

If a non-standard proration unit of 40 acres is not approved, this well will have to be plugged and oil which could have been produced will be wasted. Therefore, in accordance with Order R-1389-B Rule 4, we request that the Director grant an exception to the requirement for 80 acres.

There were no offset operators within area of review. Hanson Operating Co. has royalties and they are being notified.

If you have any questions, please contact Ricky Smith at 1-915-586-3076. Thank you for your consideration in this matter.

Sincerely,

Eddie W. Seay, Agent
(505)392-2236

CMD :
OG6IPRD

ONGARD
INQUIRE PRODUCTION BY POOL/WELL

04/21/95 11:00:08
OGOI -EMFD
Page No: 1

OGRID Identifier : 9974 HANSON OPERATING CO INC
Pool Identifier : 1149 ALLISON;PENN
API Well No : 30 41 20863 Report Period - From : 01 1993 To : 12 1994

API Well No	Property Name	Prodn. MM/YY	Days Prod	Production Gas	Volumes Oil	Water	Well Stat
30 41 20863		04 93	99		931		P
30 41 20863	JUNCTION FEDERAL	05 93	23		1772	11	P
30 41 20863	JUNCTION FEDERAL	06 93	24		1287		P
30 41 20863	JUNCTION FEDERAL	07 93	28	1720	1052		F
30 41 20863	JUNCTION FEDERAL	08 93	31	1066	756		F
30 41 20863	JUNCTION FEDERAL	09 93	28	845	548		F
30 41 20863	JUNCTION FEDERAL	10 93	31	760	415		F

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11	PF12

CMD :
OG6IPRD

ONGARD
INQUIRE PRODUCTION BY POOL/WELL

04/21/95 11:00:22
OGOI -EMFD
Page No: 2

OGRID Identifier : 9974 HANSON OPERATING CO INC
Pool Identifier : 1149 ALLISON;PENN
API Well No : 30 41 20863 Report Period - From : 01 1993 To : 12 1994

API Well No	Property Name	Prodn. MM/YY	Days Prod	Production Gas	Volumes Oil	Water	Well Stat
30 41 20863	JUNCTION FEDERAL	11 93	30	617	313		F
30 41 20863	JUNCTION FEDERAL	12 93	26	436	173		F
30 41 20863	JUNCTION FEDERAL	01 94	31	394	175		P
30 41 20863	JUNCTION FEDERAL	02 94	22	317	103		P
30 41 20863	JUNCTION FEDERAL	03 94	17	356	129		P
30 41 20863	JUNCTION FEDERAL	04 94	20	330	78		P
30 41 20863	JUNCTION FEDERAL	05 94	1	93	1		P

Reporting Period Total (Gas, Oil) :

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11	PF12

CMD :
OG6IPRD

ONGARD
INQUIRE PRODUCTION BY POOL/WELL

04/21/95 11:00:42
OGOI -EMFD
Page No: 3

OGRID Identifier : 9974 HANSON OPERATING CO INC
Pool Identifier : 1149 ALLISON;PENN
API Well No : 30 41 20863 Report Period - From : 01 1993 To : 12 1994

API Well No	Property Name	Prodn. MM/YY	Days Prod	Production Gas	Volumes Oil	Water	Well Stat
30 41 20863	JUNCTION FEDERAL	06 94	1	44	1		P
30 41 20863	JUNCTION FEDERAL	07 94	1	5	1		P

Reporting Period Total (Gas, Oil) : 6983 7735

M0001: This is the last page

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11	PF12

April 28, 1995

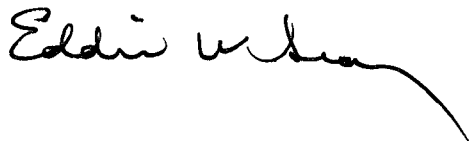
Hanson Operating Co., Inc.
P.O. Box 1515
Roswell, NM 88201

SUBJECT: Notification of Application for Non-Standard
Oil Proration Unit
Smith & Marrs Inc., Junction Federal #1
K-17-8s-37e Roosevelt Co. APINUM 30-041-20863

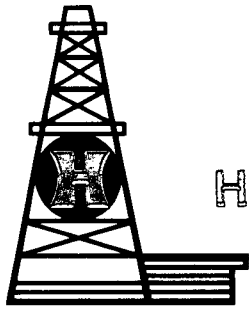
Dear Sir:

Smith & Marrs is making application for a non-standard 40 acre proration unit for the above listed well. The application is being filed with the New Mexico Oil Conservation Division in Santa Fe, NM. If you have any questions, please notify Mike Stogner at 1-505-827-8185.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eddie W. Seay", with a long, sweeping underline that extends to the right.

Eddie W. Seay, Agent
601 W. Illinois
Hobbs, NM 88240
(505)392-2236



MAY 22 1995
HANSON OPERATING COMPANY, INC.

P.O. BOX 1515

ROSWELL, NEW MEXICO 88202-1515

PHONE AC 505-622-7330

May 18, 1995

New Mexico Oil Conservation Division
Post Office Box 2308
Santa Fe, New Mexico 87504-2308

Attention: Mr. Mike Stogner

Re: JUNCTION FEDERAL #1
Section 17, T8S, R37E
Roosevelt County, New Mexico

Dear Mr. Stogner:

Hanson Operating Company, Inc. has no objection to the Application for a Non-Standard Oil Proration Unit submitted by Smith & Marrs, Inc. relative to the above captioned well.

Please contact me if you should have any questions.

Thank you.

Sincerely,

HANSON OPERATING COMPANY, INC.

David Sweeney
Drilling & Production Superintendent

DS:bc