

Arrant, Bryan, EMNRD

From: Jones, William V., EMNRD
Sent: Tuesday, November 13, 2007 8:57 AM
To: Martha Howard
Cc: Brooks, David K., EMNRD; Arrant, Bryan, EMNRD
Subject: RE: Southwestern - Karlsbad Corral 2 State No. 5H

Hello Martha:

To restate this: It sounds like the originally planned BHL was to be NonStandard - so you have the NSL in place. Also because two spacing units were involved, you have a "Project Area" dedicated covering those.

You should be asking the District office (Bryan) about this - and in Santa Fe, David Brooks is the person doing all the NSL/NSP/SD orders and he is also an attorney and most familiar with this situation.

My take on it:

The 5H if it is producing from Units E, L, and M will need to share its production equally between those three proration units - so you could extend the "Project Area" - talk to Bryan about this. The first thing you need to determine is if ownership is "identical" between spacing units (ask your Landman about this). If so, then you are fine.

If not, then I am not certain how these types of cases have been handled, talk to David Brooks or your attorney. I know you must have a production sharing agreement in place - but you may also need an NSP and it may need to be through hearing. If you cannot contact someone or they don't sign on, then you must compulsory pool the entire 120 acres.

As far as NSL is concerned:

If the wellbore extends (within the Pool) past 330 feet from any proration unit boundary, it will need an NSL permit - but I don't think we are doing these on horizontal wells where the entry point into the Pool and the well's terminus are both at standard locations.

Regards,

William V. Jones PE
 New Mexico Oil Conservation Division
 1220 South St. Francis
 Santa Fe, NM 87505
 505-476-3448

From: Martha Howard [mailto:Martha_Howard@SWN.COM]
Sent: Monday, November 12, 2007 8:49 AM
To: Jones, William V., EMNRD
Subject: Southwestern - Karlsbad Corral 2 State No. 5H
Importance: High

KARLSBAD CORRAL 2 STATE NO. 5H

API NO. 30-015-35820

PROPOSED

SL	SEC 2-T25S-R29E	UL M
BHL	SEC 2-T25S-R29E	UL L

NSL-5316 (BHL) 12/20/2005 – 80 acres Project area

William,

11/13/2007

Southwestern has drilled the subject well referenced above. The well was permitted for a TMD of 7531'. The drilling engineer has extended the TMD to 7700', which may have put the BHL into the E (UL).

Southwestern is operating the Karlsbad Corral 2 State No. 8H which has 120 acres dedicated to that well, being the L, E & D (UL).

What do I need to file with the state in order for Southwestern to be in compliance? Can we amend the NSL to include the actual drilling scenario or is there another path I need to take.

I will give you a call so we may discuss.

I appreciate your help in addressing this issue.

Respectfully,

Martha C. Howard
Staff Regulatory Analyst
281-618-4887 direct
281-618-4758 fax
Martha_Howard@SWN.com

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11/13/2007