



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 24, 2005

Southwestern Energy Production Company
2350 N. Sam Houston Parkway East - Suite 300
Houston, Texas 77032

Telefax No. (281) 618-4757

Attention: W. Kurt Butler

Administrative Order NSL-5207

Dear Mr. Butler:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 18, 2005 (*administrative application reference No. pMES-513948556*); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on Thursday afternoon, May 19, 2005; and (iii) the Division's records in Santa Fe, including the files in Division Case No. 13185 and on Division Administrative Order NSL-5205: all concerning Southwestern Energy Production Company's ("SwEPCo") request to drill its No Bluff State Well No. 7 as an initial well within a standard 40-acre oil spacing and proration unit within the Northeast Red Lake-Glorieta-Yeso Pool (96836) comprising the SW/4 NW/4 (Unit E) of Section 36, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, at an unorthodox oil well location 1450 feet from the North line and 990 feet from the West line of Section 36.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is the Division's understanding that the area comprising the W/2 NW/4 of Section 36 comprises a single state lease issued by the New Mexico State Land Office (*State Lease No. V-5512*) in which SwEPCo is the leasehold operator and all mineral interest is common.

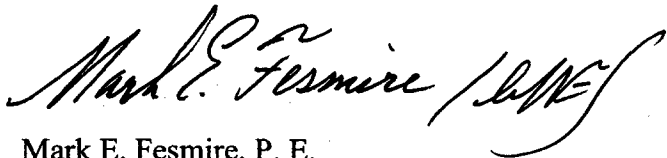
It is further understood that SwEPCo's plan of development for the Glorieta/Yeso in this general area is with three or four wells per 40-acre unit and that this location exception is being sought for engineering, geological, and topographical reasons. The proposed well location will enable SwEPCo to develop and deplete the Glorieta/Yeso reserves within this state lease that might not otherwise be recovered.

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By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox oil well location for SwEPCo's proposed No Bluff State Well No. 7 within the Northeast Red Lake-Glorieta-Yeso Pool is hereby approved.

Sincerely,

A handwritten signature in black ink, reading "Mark E. Fesmire" followed by a stylized flourish or set of initials.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: Case No. 13185
Administrative Order NSL-5205