



BRUCE KING
GOVERNOR

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 17, 1991

Meridian Oil, Inc.
P.O. Box 51810
Midland, Texas 79710-1810

Attention: Maria L. Perez

Administrative Order NSL-3048

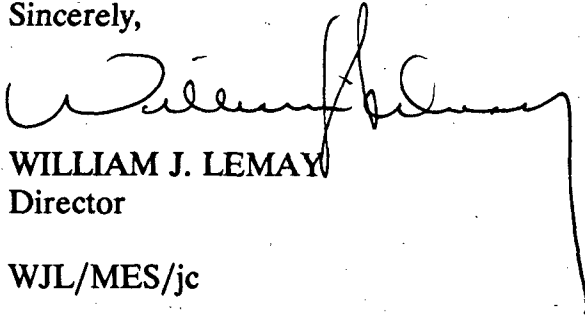
Dear Ms. Perez:

Reference is made to your application dated August 17, 1991 for a non-standard gas well location for your C.W. Shepard Federal Well No. 8 to be drilled 1100 feet from the North line and 1980 feet from the West line (Unit C) of Section 5, Township 26 South, Range 37 East, NMPM, to test the Yates formation, Lea County, New Mexico.

It is our understanding that Meridian attends to dedicate the NW/4 of said Section 5 to the proposed well forming a 160-acre gas spacing and proration unit. The proposed unit is bounded to the east by the Rhodes - Yates - Seven Rivers Gas Pool, which is governed by the Division's General Rules and Regulations designating 160-acre spacing with well locations no closer than 660 feet to the outer boundary of the unit nor closer than 330 feet to a quarter-quarter section line or subdivisions inner boundary (Rule 104.C.2(a)); and is bounded to the north by the Jalmat Gas Pool, which is governed by Special Rules and Regulations promulgated by Division Order No. R-8170, as amended, designating 640-acre spacing, however, said special rules permit 160-acre non-standard gas spacing and proration units with well locations no closer than 660 feet from the quarter section lines nor closer than 330 feet to a quarter-quarter section lines or subdivisions inner boundary (Rule 4(b)2).

The above-described unorthodox gas well location is hereby approved, pursuant to Division General Rule 104.F.1. should it be determined upon completion of the subject well that production be placed in the Rhodes - Yates - Seven Rivers Gas Pool. Further, said location is authorized, pursuant to Rule 2(c) of said Order No. R-8170 should it be determined that the production be placed in the Jalmat Gas Pool; however, if the well is placed in the Jalmat Gas Pool an exception to the spacing requirements pursuant to Special Rule 2(a)4 must be obtained.

Sincerely,

A handwritten signature in black ink, appearing to read 'William J. Lemay', with a long, sweeping horizontal line extending to the right.

WILLIAM J. LEMAY
Director

WJL/MES/jc

cc: Oil Conservation Division - Hobbs
USBLM - Carlsbad