

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

February 4, 2004

Lori Wrotenbery
Director

Oil Conservation Division

John R. Stearns d/b/a Stearns
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-4993

Dear Mr. Bruce:

Reference is made to the following: (i) Mr. John R. Stearns original application (*administrative application reference No. pMES0-325255283*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on September 8, 2003; (ii) the Division's initial response by letter dated September 24, 2003 from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe denying this application; (iii) your re-submittal of this application on behalf of John R. Stearns dated November 26, 2003 (*administrative application reference No. pLR0-333627423*); (iv) a letter of objection dated December 11, 2003 from Mr. Richard Donald Jones, Jr. of Cedar Creek, Texas filed with the Division on December 15, 2003; (v) Mr. Stogner's letter dated December 15, 2003 notifying you, and copied Mr. Richard Donald Jones, Jr. that this application would be docketed for hearing on January 8, 2004; (vi) the Division's records in Santa Fe and Hobbs, including the file in Case No. 13203; (vii) your letter dated January 10, 2004 requesting the Division consider processing this application administratively; and (viii) your telephone conversation with Mr. Stogner, Wednesday morning, February 4, 2004: all concerning John R. Stearns' request for a non-standard Morrow gas well location for the existing State "16" Well No. 1-Y (API No. 30-025-34070), located 330 feet from the South line and 940 feet from the East line (Unit P) of Section 16, Township 9 South, Range 37 East, NMPM, Lea County, New Mexico. The E/2 of Section 16 is to be dedicated to this well to form a standard 320-acre stand-up gas spacing unit in the Undesignated West Sawyer-Morrow Gas Pool (97103).

This well was initially drilled in mid-1997 by Cobra Oil & Gas Corporation of Wichita Falls, Texas to a total depth of 12,585 feet and completed as an oil well within the West Sawyer-Devonian Pool (96744) at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 of Section 16. The Division's production records show this well produced 54,203 barrels of oil out of the West Sawyer-Devonian Pool from November, 1997 to October, 2003. Evidently, in October, 2001 John R. Stearns d/b/a Stearns became the operator of this well.

It is the Division's understanding that John R. Stearns now intends to abandon the lower Devonian interval, plug-back, and recompleate this well up-hole into the gas bearing Morrow formation; however, pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999, this location is considered to be unorthodox.

John R. Stearns d/b/a Stearns
February 4, 2004
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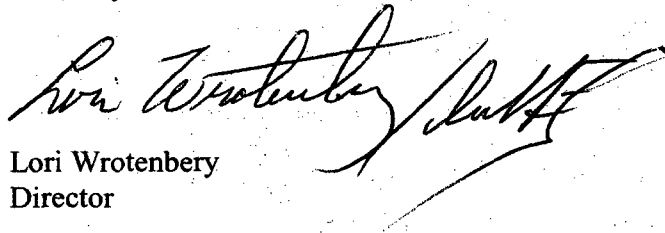
Division Administrative Order NSL-4993

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

By the authority granted me under the provisions Division Rule 104.F (2), the above-described unorthodox Morrow gas well location for Stearns' State "16" Well No. 1-Y within the E/2 of Section 16 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg", is written over a horizontal line.

Lori Wrotenberg
Director

LW/mes

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: Case No. 13203