

4. The unorthodox well location is based upon a 3-D seismic survey which indicates that the optimum location for a well in Unit J is at a location that is 223 feet from the north boundary of its spacing unit rather than the standard 330 feet. See Exhibit "A"

5. The well is located more than one mile from the current boundaries of any Devonian Oil pool and is subject to the Division general statewide rules including well spacing of 40-acre oil spacing and 330 foot setbacks. Apparently, the closest Devonian oil pool is the Race Track-Devonian Pool located in the NE/4SE/4 of Section 13, T10S, R27E, NMPM.

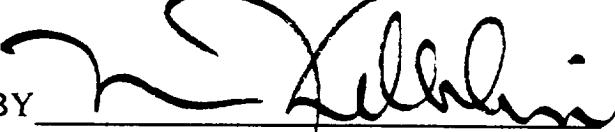
6. The well only encroaches towards the SW/4NE/4 of Section 36 which has the same ownership as the subject 40-acre spacing unit.

7. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in this portion of the Devonian formation and will otherwise prevent waste and protect correlative rights.

8. In accordance with Division Rule 1207, there are no offsetting parties to whom notification is required.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

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BY 

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