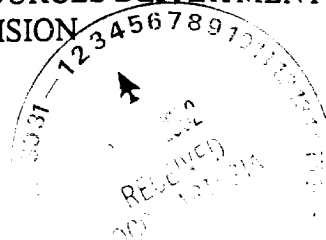


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 12004
ORDER NO. R-11082

**APPLICATION OF STEVENS & TULL, INC. FOR A NON-STANDARD
SUBSURFACE GAS WELL LOCATION/PRODUCING AREA AND A NON-
STANDARD GAS SPACING AND PRORATION UNIT, EDDY COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 9, 1998 at Santa Fe, New Mexico,
before Examiner Michael E. Stogner.

NOW, on this 16th day of November, 1998, the Division Director, having
considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case
and its subject matter.

(2) Township 20-1/2 South, Range 22 East, NMPM, Eddy County, New Mexico
is an irregularly sized and shaped township due to the convergence of meridians and is six
miles in width (east/west axes) and approximately one-half mile in length (north/south axes).
Section 31 of Township 20-1/2 South, Range 22 East, NMPM, Eddy County, New Mexico
consists of: (i) Lot 1 with 27.38 acres; (ii) Lot 2 with 26.61 acres; (iii) Lot 3 with 26.46 acres;
(iv) Lot 4 with 13.19 acres; (v) Lot 5 with 20.15 acres; and (vi) the SE/4 SW/4 with 40 acres
and the S/2 SE/4 with 80 acres, which are considered to be regular subdivisions (aliquot
parts) of this section. Section 31 therefore encompasses a total area of 233.79 acres. See
Division Order No. R-10803, issued in consolidated Case Nos. 11716, 11717, 11739, 11740,
11741, and 11753, which describes this irregularity in greater detail.

(3) The applicant, Stevens & Tull, Inc., in accordance with Division Rules 104.F
and 111.C(2), seeks approval of a non-standard subsurface gas well location/producing area

12788
R-11765

for any and all formations and/or pools developed on 320-acre spacing from the surface to the base of the Morrow formation, which presently include the Undesignated Indian Loafer Draw-Upper Pennsylvanian Gas Pool, Undesignated Little Box Canyon-Strawn Gas Pool, Undesignated Little Box Canyon-Atoka Gas Pool, and Undesignated Little Box Canyon-Morrow Gas Pool, for its proposed Sweet Thing Federal Unit Well No. 2 (API No. 30-015-30338) to be drilled from a surface location 660 feet from the North and West lines (Lot 5/Unit M) of irregular Section 31, Township 20-1/2 South, Range 22 East, NMPM, Eddy County, New Mexico.

(4) The Wolfcamp formation is the uppermost interval within this area of Eddy County, New Mexico having 320-acre spacing.

(5) All of the formations and/or pools within the vertical interval from the top of the Wolfcamp formation to the base of the Morrow formation underlying Section 31 are subject to Division Rules 104.B(1)(a) and 104.C(2)(b), which provide for 320-acre gas spacing and proration units with wells to be located no closer than 1650 feet from the nearest end boundary, nor closer than 660 feet from the nearest side boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(6) The evidence and testimony presented at the hearing indicate that deep gas wells drilled in this immediate area experience a significant and predictable drilling drift in a westerly direction.

(7) Directly offsetting Section 31 to the west in Section 36, Township 20-1/2 South, Range 21 East, NMPM, Eddy County, New Mexico, Stevens & Tull, Inc. drilled its Sweet Thing State "36" Well No. 1 (API No. 30-015-30004) at an unorthodox gas well location 850 feet from the North line and 300 feet from the West line (Unit P) of Section 36 [approved by Division Administrative Order NSL-3901(NSP), as amended]. This well is currently completed as a gas well in the Morrow formation at a depth of 7,977 feet. The subsurface location within the Morrow formation of the Sweet Thing State "36" Well No. 1 is estimated to be 476 feet from the East line of Section 31.

(8) The applicant intends to drill its proposed Sweet Thing Federal Unit Well No. 2 into the Morrow formation in order to position its bottomhole location an equal distance from the section line between Sections 31 and 36 as the estimated Morrow subsurface location of the Sweet Thing State "36" Well No. 1.

(9) The proposed unorthodox target window for the Sweet Thing Federal Unit Well No. 2 within the Morrow formation is a rectangular area 50 feet wide and 200 feet long located in Section 31 that is: (i) no closer than 660 feet to, nor further than 860 feet from, the North line of Section 31; and (ii) no closer than 435 feet to, nor further than 485 feet from,