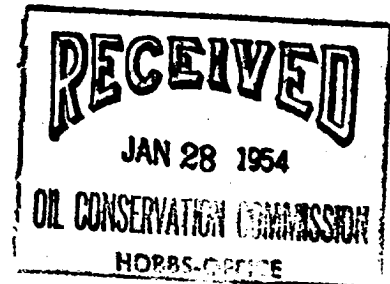


CHARM OIL COMPANY

Carper Building
Artesia, New Mexico

January 27, 1954



Mr. Richard R. Spurrier
Secretary, New Mexico Oil Conservation Commission
Santa Fe, New Mexico

SUBJECT: The completion of
Charm Oil Company Wilson-State #1
well in Section 11-T218-R35E,
Lea County, a gas well in an
undesignated area

Dear Sir:

We are this date sending to your Hobbs office the various completion reports on the subject well, namely: C-103, C-104, C-105 and C-110 together with the gas well plat on the form approved by the Commission.

The Wilson-State well was spudded on December 13, 1953 660' from the north line and 330' from the east line of Section 11-21-35. The Charm Oil Company owns the NE/4 of Section 11 thus Charm has the required 160 acres needed for a gas proration unit. When the well was started December 13, 1953, the C-101 called for the completion of an oil well. It was Charm Oil Company's intention to drill an oil well, and this well was drilled to a depth of 3953' and thoroughly tested before plugging back to a depth of 3806' and being completed as a gas well.

Rule 104 of the statewide regulations provides that a well drilled less than one mile from a designated gas pool shall be spaced in accordance with regulations pertaining to said pool. The Wilson-State #1 well is within one mile of both the Eumont and Jalco pools, therefore the spacing regulation should conform to the rules as set forth for said fields. In each case, Rule #3 provides that a well shall not be drilled closer than 660' to any outer boundary of the tract, however, Rule #4 in each case, provides that the Secretary of the Commission shall have authority to grant exception to the requirements of Rule #3 without notice and hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.