

**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. 13125 (Reopened)
ORDER NO. R-12069-A**

**IN THE MATTER OF CASE NO. 13125 BEING REOPENED PURSUANT TO
THE PROVISIONS OF DIVISION ORDER NO. R-12069, WHICH ORDER
PROMULGATED TEMPORARY SPECIAL POOL RULES FOR THE EAST
DEAN-WOLFCAMP POOL, INCLUDING PROVISIONS FOR 80-ACRE
SPACING UNITS AND DESIGNATED WELL LOCATIONS, LEA COUNTY,
NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 3, 2005 at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 28th day of March, 2005, 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) By Division Order No. R-12069, issued in Case No. 13125 and dated January 14, 2004, the East Dean-Wolfcamp Pool was created for the production of oil from the Wolfcamp formation in the SW/4 of Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico. This order also promulgated special rules and regulations for this pool as follows.

RULE 1: Each well completed or recompleted in the East Dean-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another Wolfcamp pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section.

RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2).

RULE 4: Each well shall be located no closer than 330 feet to the outer boundary of a spacing and proration unit nor closer than 330 feet to any interior quarter-quarter section line or subdivision inner boundary.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 6: The allowable for a standard 80-acre oil proration unit shall be based on a depth bracket allowable of 400 barrels of oil per day with a limiting gas oil ratio of 2000 cubic feet of gas per barrel of oil. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(3) Pursuant to the provisions of Order No. 12069, this case was reopened to allow the operators in this pool to appear and show cause why these rules and regulations should not be rescinded and the pool developed on statewide 40-acre spacing units.

(4) The East Dean-Wolfcamp Pool currently comprises the SW/4 of Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) The original applicant, Pecos Production Company ("Pecos" or "Applicant"), appeared and presented testimony that demonstrates that:

- (a) The Pecos Overland Well No. 1 (API No. 30-025-36259), located 1276 feet from the South line and 1724 feet from the West line, SE/4SW/4 (Unit V) of Irregular Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, was drilled and completed in June 2003, in the Wolfcamp formation;

- (b) the original oil in place (OOIP) in the 80-acre spacing unit is 100, 000 barrels;
- (c) the cumulative production under water drive mechanism from June 2003 to date is 40, 000 barrels of oil and 50 million cubic feet of gas; and
- (d) the ownership in the 80-acre spacing unit is identical.

(6) The Applicant presented engineering evidence that demonstrates that it will be uneconomic to drill another well in the 80-acre unit. Further evidence and testimony indicate that the current rules in effect for this pool would assure continued development in a most prudent manner, would be in the best interest of conservation, and will afford the owner of mineral interest in the pool the opportunity to produce its just and equitable share of the oil in the pool.

(7) No other interested party appeared at the hearing in opposition to the continuation of the current special pool rules and regulations.

(8) In order to prevent the economic loss, and augmentation of risk arising from the drilling of an excessive number of wells, to prevent waste and protect correlative rights, the "Special Pool Rules and Regulations for the East Dean-Wolfcamp Pool," as promulgated by Division Order No. R-12069, should be continued in full force and effect until further order of the Division.

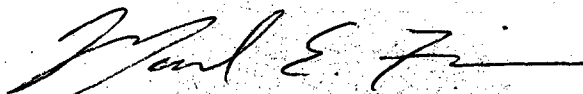
IT IS THEREFORE ORDERED THAT:

(1) The Special Rules and Regulations governing the East Dean-Wolfcamp Pool, which comprises the SW/4 of Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, as promulgated by Division Order No. 12069, are hereby continued in full force and effect until further order of the Division.

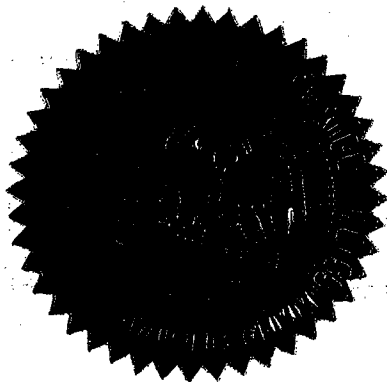
(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Mark E. Fesmire, P.E.
Director



SEAL

CASE 13395: Continued from January 6, 2005, Examiner Hearing.

Application of Chiso, Ltd. for pool creation and classification of this pool as a retrograde condensate gas pool, Eddy County, New Mexico. Applicant seeks an order (i) creating a new pool for the production of natural gas from the Strawn formation to be comprised of the W/2 of Section 12, Township 19 South, Range 30 East, (ii) classifying this new Strawn Pool as a retrograde condensate reservoir, and (iii) dedicating the W/2 of said Section 6 to the Chiso, Ltd. Wishbone Federal Com Well No. 1 (API NO. 30-015-30640) at an unorthodox deep gas well location 2000 feet from the South line and 680 feet from the West line of said Section 6. This location was approved by Division Administrative Order NSL-4521-A. Said well is located approximately 20 miles southeast of Artesia, New Mexico.

CASE 13407: **Application of COG Operating, LLC for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Morrow formation underlying the W/2 of Section 4, Township 19 South, Range 32 East, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated Lusk North Morrow Gas Pool. This unit is to be dedicated to the Valhalla "4" Federal Com No. 1 Well, to be drilled at a standard location in NW/4 NW/4 (Unit D) of said Section 4 to test the Morrow formation at a depth of approximately 13,100 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 11 miles south of Maljamar.

CASE 13381: Continued from January 6, 2005, Examiner Hearing.

Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 17, Township 22 South, Range 27 East, and in the following manner: The S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, South Carlsbad-Strawn Gas Pool, and South Carlsbad-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within that vertical extent; and the NE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on 40-acre spacing within that vertical extent, including the Undesignated South Carlsbad-Cherry Canyon Pool. The units are to be dedicated to the proposed Kodiak Well No. 1, to be drilled at an orthodox location in the NE/4 SE/4 (Unit I) of Section 17. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 2 miles south-southwest of Otis, New Mexico.

CASE 13408: **Application of Latigo Petroleum, Inc. for an exception to Division Rule 104.D(3), Lea County, New Mexico.** Applicant seeks an exception to Division Rule 104.D(3) in order to simultaneously dedicate production from the Bough-San Andres Gas Pool (Pool Code 72680) within an existing standard 160-acre gas spacing unit comprising the SW/4 of Section 13, Township 9 South, Range 35 East, from the following two wells: (i) the Federal A 13 Well No. 2 (API No. 30-025-02651), located at an orthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 13; and (ii) the Federal A Well No. 5, located at an orthodox gas well location 810 feet from the South line and 1980 feet from the West line (Unit N) of Section 13. The unit is located approximately 3 miles northwest of Crossroads, New Mexico.

CASE 13125: Continued from January 20, 2005, Examiner Hearing

In the matter of Case 13125 being reopened pursuant to the provisions of Division Order No. R-12069, which order promulgated temporary special pool rules for the East Dean-Wolfcamp Pool in Lea County, New Mexico, including provisions for 80-acre spacing units and designated well locations. Operators in the East Dean-Wolfcamp Pool should appear and show cause why the temporary special pool rules for this pool should not be rescinded and the pool not be developed on statewide 40-acre spacing.