

JAMES BRUCE
ATTORNEY AT LAW

NOV 20 2000

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

November 17, 2000

Mark Ashley
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 12538 (Application of Ricks Exploration, Inc.)


Dear Mr. Ashley:

At the hearing in the above case, Mr. Padilla asked about spacing of other Devonian pools. Enclosed are the following:

1. Order No. R-1724, establishing 80 acre spacing for the Southwest Gladiola-Devonian Pool. That pool is located immediately to the west of the proposed North Trinity-Devonian Pool.
2. Order No. R-10679-A, establishing 80 acre spacing for the East Stallion-Devonian Pool. That pool is located immediately to the southeast of the proposed North Trinity-Devonian Pool.

Other examples can be given. For instance, the Southeast Crossroads-Devonian Pool and the West Maljamar-Devonian Pool are both spaced on 160 acres. Spacing increases are common in Devonian pools.

Very truly yours,



James Bruce

Attorney for Ricks
Exploration, Inc.

cc: Ernest L. Padilla

SOUTHWEST GLADIOLA-DEVONIAN POOL
Lea County, New Mexico

Order No. R-1724, Creating and Adopting Temporary Rules for the Southwest Gladiola-Devonian Pool, Lea County, New Mexico, July 21, 1960, and Made Permanent by Order No. R-1724-A, July 26, 1961.

Application of Max Pray for the Creation of a New Oil Pool for Devonian Production in Lea County, New Mexico, and for the Promulgation of Special Rules and Regulations for said Pool.

CASE NO. 2012
Order No. R-1724

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a. m. on July 11, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 21st day of July, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Max Pray, seeks an order creating a new oil pool for Devonian production to be designated as the Southwest Gladiola-Devonian Pool, consisting of the SW/4 of Section 26, W/2 and SE/4 of Section 27, E/2 of Section 28, NE/4 of Section 33, and NW/4 of Section 34, all in Township 12 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That inasmuch as the area contained in the above described Southwest Gladiola-Devonian Pool includes the SW/4 of Section 26, Township 12 South, Range 37 East, NMPM, Lea County, New Mexico, previously designated as the West Gladiola-Devonian Pool by Order No. R-1681, said West Gladiola-Devonian Pool should be abolished.

(4) That the evidence presented concerning the reservoir characteristics of the proposed Southwest Gladiola-Devonian Pool in Lea County, New Mexico, including permeability and porosity data, does not justify a permanent order establishing 80-acre proration units in said pool, as requested; however, the evidence presented does justify the establishment of 80-acre proration units in said pool for a temporary one-year period.

(5) That the evidence presented indicates that, for the present at least, it may be uneconomical to drill wells in the Southwest Gladiola-Devonian Pool on 40-acre proration units, and that unless a temporary 80-acre proration unit order is entered, further development in said pool may be retarded.

(6) That due to the apparently limited size of said pool, a flexible rule governing well locations should be adopted.

(7) That during the one-year period in which this order will be in effect, the applicant should gather all available information relative to drainage and recoverable reserves in the subject pool.

(8) That this case should be heard again by the Commission at the regular monthly hearing in July, 1961, at which time the applicant should be prepared to prove by a preponderance of the evidence why the Southwest Gladiola-Devonian Pool should not be developed on 40-acre units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production, be and the same is hereby created and designated as the Southwest Gladiola-Devonian Pool, consisting of the following-described acreage

TOWNSHIP 12 SOUTH, RANGE 37 EAST, NMPM

Section 26: SW/4
Section 27: W/2 and SE/4
Section 28: E/2
Section 33: NE/4
Section 34: NW/4

(2) That the West Gladiola-Devonian Pool created and designated by Order No. R-1681 be and the same is hereby abolished.

(3) That temporary special rules and regulations for the Southwest Gladiola-Devonian Pool in Lea County, New Mexico, be and the same are hereby promulgated as follows, effective August 1, 1960.

**SPECIAL RULES AND REGULATIONS
FOR THE
SOUTHWEST GLADIOLA-DEVONIAN POOL**

RULE 1 Each well completed or recompleted in the Southwest Gladiola-Devonian Pool or in the Devonian formation within one mile of said pool, and not nearer to nor within the limits of another designated Devonian Pool, shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2 Each well completed or recompleted in the Southwest Gladiola-Devonian Pool shall be located on a unit containing 80 acres, more or less, which consists of any two contiguous quarter-quarter sections of a single governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. Unit wells shall be located within 150 feet of the center of either quarter-quarter section in the 80-acre unit. Any well which was drilling to or completed in the subject pool prior to July 6, 1960, is granted an exception to the well location requirements of this Rule.

RULE 4. For good cause shown, the Secretary-Director may grant exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the subject pool as the acreage in such non-standard unit bears to 80 acres.

RULE 5. An 80-acre proration unit (79 through 81 acres) in the subject pool shall be assigned an 80-acre proportional factor of 7.75 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit in any proportion.

IT IS FURTHER ORDERED:

That operators who propose to dedicate 80 acres to a well in the Southwest Gladiola-Devonian Pool must file an amended Commission Form C-128 with the Hobbs District Office of the Commission by August 15, 1960, in order that the well may be assigned an 80-acre allowable on the September proration schedule.

IT IS FURTHER ORDERED:

That this cause be reopened at the regular monthly hearing of the Commission in July, 1961, at which time operators in the subject pool shall appear and show cause why the Southwest Gladiola-Devonian Pool should not be developed on 40-acre proration units.

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

EAST STALLION-DEVONIAN POOL
Lea County, Texas

Order No. R-10679-A, Creating and Adopting Temporary Operating Rules for the East Stallion-Devonian Pool, Lea County, New Mexico, October 2, 1996.

Order No. R-10679-B, August 27, 1998, continues in effect the temporary rules adopted in Order No. R-10679-A

Application of Fasken Oil & Ranch Ltd. for Creation of a New Oil Pool with Special Rules, Lea County, New Mexico.

Nomenclature
Case No. 11612
Order No. R-10679-A

NUNC PRO TUNC ORDER

BY THE DIVISION: It appearing to the Division that Order No. R-10679 dated October 2, 1996, which order created a new pool for the production of oil from the Devonian formation and promulgated special rules and regulations for the pool including 80-acre spacing and proration units and designated well location requirements, inadvertently utilized a pool name, the West Bronco-Devonian Pool, which is already in existence.

In order to eliminate confusion as a result of this error, Division Order No. R-10679 shall be re-entered in its entirety as follows reflecting the proper nomenclature nunc pro tunc as of October 2, 1996:

"This cause came on for hearing at 8:15 a.m. on September 26, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of October, 1996, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises.

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Fasken Oil & Ranch, Ltd., seeks the creation of a new pool for the production of oil from the Devonian formation comprising the W/2 SW/4 of Section 3, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico, and the promulgation of special rules and regulations therefor including a provision for 80-acre spacing and proration units and designated well location requirements, and for the assignment of a discovery allowable.

(3) At the time of the hearing, the applicant requested that the portion of its application requesting the assignment of a discovery allowable to the Grande Well No. 1 be dismissed.

(4) The evidence presented indicates that the applicant has recently drilled and completed its Grande Well No. 1 at a location 990 feet from the South line and 768 feet from the West line (Unit M) of said Section 3. The well was completed in the Devonian formation through perforations from 12,210 feet to 12,228 feet at an initial producing rate of approximately 201 barrels of oil per day and 30 MCF gas per day.

(5) Division records indicate that there is an existing Devonian pool located within one mile of the Grande Well No. 1, this being the Bronco-Siluro Devonian Pool. The Bronco-Siluro Devonian Pool is currently governed by Division General Rule No. 104 which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the proration unit.

(6) The geologic evidence presented by the applicant indicates that the Grande Well No. 1 has discovered a separate and distinct Devonian producing structure within Section 3. This producing structure, according to applicant's geologic evidence, appears to be limited in extent and comprises only a portion of the SW/4 of Section 3 and E/2 SE/4 of Section 4.

(7) The geologic evidence and testimony further indicates that the subject Devonian reservoir exhibits high permeability in the range of 236 md.

(8) The preliminary engineering evidence presented by the applicant indicates that the Grande Well No. 1 should be capable of draining an area in excess of 80 acres.

(9) Further engineering evidence and testimony presented by the applicant indicates that the Grande Well No. 1 may be capable of draining the entire structure, and that there is a possibility that no additional wells will be drilled to develop this reservoir.

(10) The applicant currently operates the affected acreage in Sections 3 and 4.

(11) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(12) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the proposed pool.

(13) The temporary special rules and regulations should provide for designated well locations such that a well should be located within 150 feet of the center of a governmental quarter-quarter section or lot in order to assure the orderly development of the pool and protect correlative rights.

(14) Temporary special rules and regulations for the proposed pool should be established for a period of eighteen months in order to allow the operators in the subject pool the opportunity to gather sufficient reservoir information to show that an 80-acre proration unit in this pool can be efficiently and economically drained and developed by one well.

(15) Pursuant to Division General Rule Nos. 505 and 506, the subject pool should be assigned a depth bracket allowable of 490 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(16) A new pool classified as an oil pool for Devonian production should be created and designated the East Stallion-Devonian Pool, with vertical limits comprising the Devonian formation and horizontal limits comprising the W/2 SW/4 of Section 3, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico.

MND. R-10679-A
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(EAST STALLION-DEVONIAN POOL - Cont'd.)

(17) This case should be reopened at an examiner hearing in March, 1998, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules and Regulations for the East Stallion-Devonian Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Fasken Oil & Ranch, Ltd., a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production is hereby created and designated the East Stallion-Devonian Pool, with vertical limits comprising the Devonian formation, and horizontal limits comprising the W/2 SW/4 of Section 3, Township 13 South, Range 38 East, NMPM.

(2) Temporary Special Rules and Regulations for the East Stallion-Devonian Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
EAST STALLION-DEVONIAN POOL**

RULE 1. Each well completed in or recompleted in the East Stallion-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules hereinafter set forth.

RULE 2. Each well completed or recompleted in the East Stallion-Devonian Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2 or W/2 of a single governmental quarter section.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division" may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 80 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper

horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 490 barrels of oil per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. 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.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the East Stallion-Devonian Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the East Stallion-Devonian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the East Stallion-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, or within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

(5) This case shall be reopened at an examiner hearing in March, 1998, at which time the operators in the subject pool shall appear and show cause why the Temporary Special Rules and Regulations for the East Stallion-Devonian Pool promulgated herein should not be rescinded.

(6) 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.