

AMEND

DATE 2/20/01	SUBMITTER 3/12/01	ENGINEER MS	LOGGED IN KV	TYPE NSL	APP NO. 105430177
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ABOVE THIS LINE FOR DIVISION USE ONLY

4336

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

OIL CONSERVATION DIV
 OFFICE 20 AM 11:03

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Certification

I hereby certify that I, or personnel under my supervision, have reviewed the applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common.

I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

William F. Carr *William F. Carr* ATTORNEY 2/20/01
 Print or Type Name Signature Title Date

wcarr@westofpecos.com
 e-mail Address

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

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110 NORTH GUADALUPE
SANTA FE, NEW MEXICO 87501-6525
MAILING ADDRESS
P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
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February 20, 2001

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Energy, Minerals
and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

(30-025-35371)

Re: *Application of Read & Stevens, Inc. for amendment of administrative Order NSL-4536 for approval of an unorthodox well location for its Liberty 4 Federal Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico.*

Dear Ms. Wrotenbery:

On December 27, 2001, the Oil Conservation Division entered Order NSL-4536 which approved the application of Read & Stevens, Inc. for an unorthodox well location in the Ellenberger and Devonian formations for its Liberty 4 Federal Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico. The W/2 of Section 4 is to be dedicated to the well. Read & Stevens seeks to amend this application to also include the Wolfcamp, Strawn, Atoka and Morrow formations.

This location in the Wolfcamp, Strawn, Atoka and Morrow formations is unorthodox because Rule 104.C.(2) of the General Rules of the Oil Conservation Division provide for wells on 320-acre spacing and proration units to be located no closer than 660 feet to any governmental quarter section line. The proposed location is unorthodox because it is 330 feet too close to the West line of the dedicated acreage.

As shown in its original application, this unorthodox location in the Devonian and Ellenberger formations, the primary objectives in the well, is required by geologic conditions. The location was selected for these primary zones of interest based on a 3D seismic survey. Attached as Exhibit A to this application is the Devonian Time Structure Map of the subject area which shows the proposed

Lori Wrotenbery, Director
Oil Conservation Division
February 20, 2001
Page Two

location and the nearest standard location. The map demonstrates that moving to the proposed unorthodox location results in substantial gain in reservoir quality rock. Furthermore, drilling at a location 660 feet from the quarter section line would place the well near a high angle compressional fault and would place the well in a much thinner portion of the sand where the chances of drilling a successful well would be greatly reduced. Accordingly, the proposed location is the best location for a commercial Devonian and or Ellenberger well in the W/2 of Section 4.

Read & Stevens, Inc. has determined that if the well is unsuccessful in the Devonian and Ellenberger formations, it will plug back and attempt a completion in the Pennsylvanian formations (Wolfcamp, Strawn, Atoka and Morrow) in this well. The basis for the unorthodox locations in these shallower formations is not only the availability of the well bore which will be drilled to test the Devonian and Ellenberger formations, but is also the same geological data presented in support of the location in the Devonian and Ellenberger formations. In attempting to drill a well to these Pennsylvanian formations, Read & Stevens, Inc. needs to stay west of the fault shown on Exhibit A to enable it to complete the well in a favorable geologic position. Accordingly, Read & Stevens, Inc. seeks amendment of Order NSL-4536 to add the Wolfcamp, Strawn, Atoka and Morrow formations.

Attached as Exhibit B is a plat required by Division Rule 104.F (3) showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units. Although Read & Stevens is the designated operator of all the immediately adjoining and diagonal spacing units in the Pennsylvanian formations toward which the unorthodox well location encroaches, the mineral owners are different under these tracts. Exhibit C lists these interest owners.

A copy of this application, including a copy of the plat described above has been sent to these persons by certified mail-return receipt requested in accordance with Rule 1207 (A) (5) advising them that if they have an objection to this application it must be filed in writing within twenty days from the day this notice was sent.

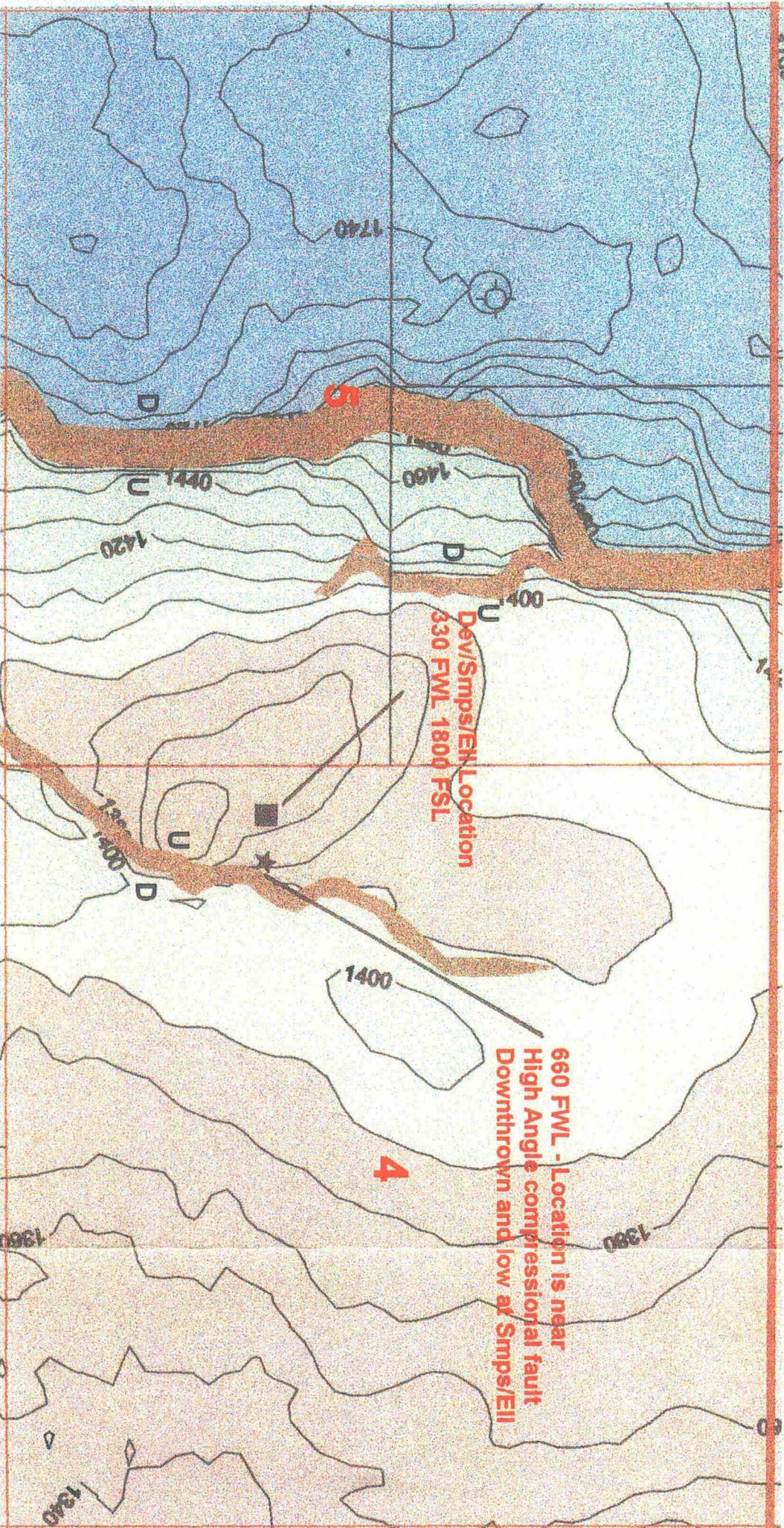
Your attention to this application is appreciated.

Very truly yours,



William F. Carr
Attorney for Read & Stevens, Inc.

Enclosures



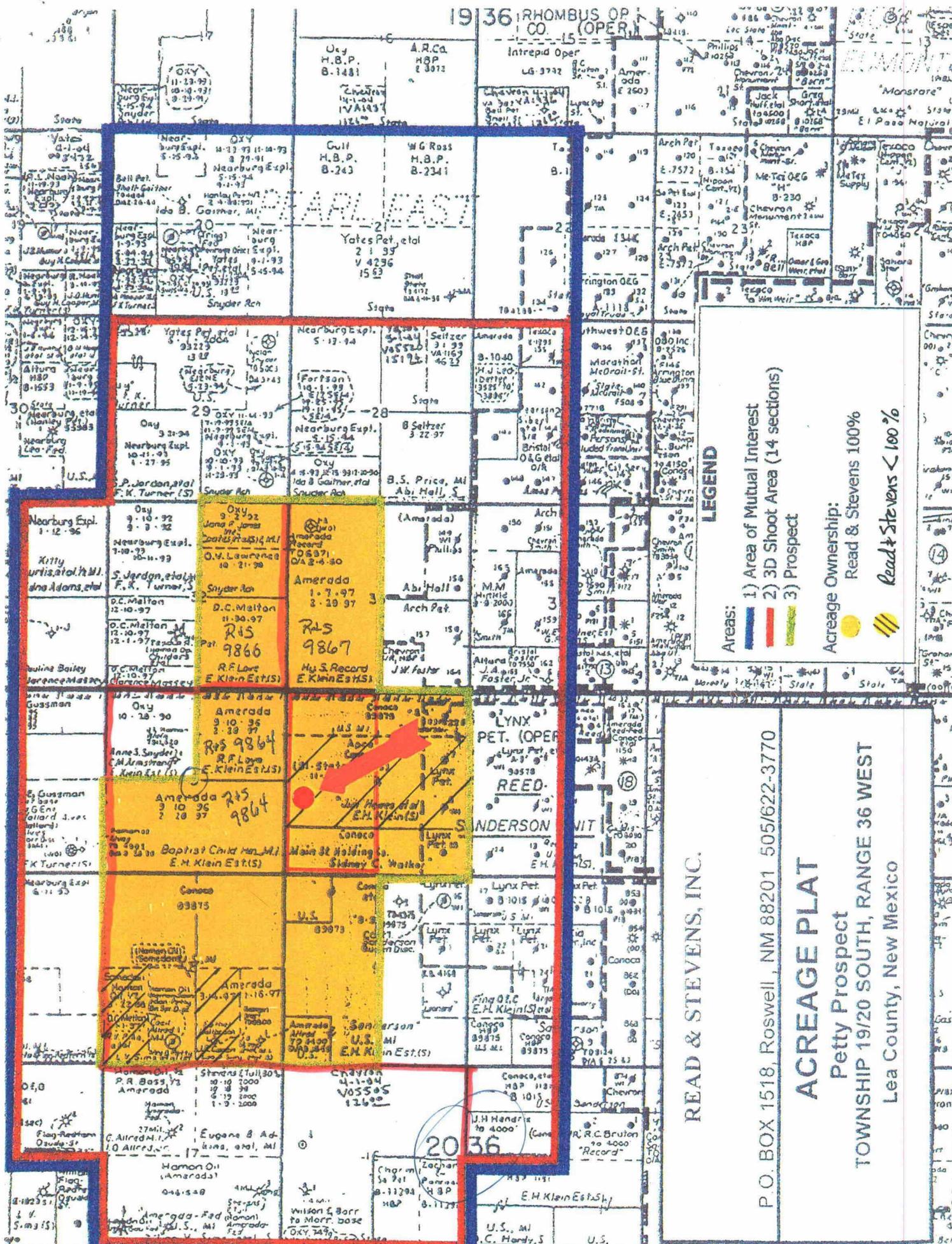
Prepared by: David M. Mitchell, CPG

Proposed Location:

X: 797788
Y: 583251

Near Devonian Time Structure
Petty 3D - Prestack Migration
CI: 10 ms Nov. 2000

19 36 RHOMBUS OP CO. (OPER)



LEGEND

Areas:

- 1) Area of Mutual Interest
- 2) 3D Shoot Area (14 sections)
- 3) Prospect

Acreage Ownership:

- Read & Stevens 100%
- Read & Stevens < 100%

READ & STEVENS, INC.

P.O. BOX 1518, Roswell, NM 88201 505/622-3770

ACREAGE PLAT

Petty Prospect

TOWNSHIP 19/20 SOUTH, RANGE 36 WEST

Lea County, New Mexico

**OFFSET OPERATORS, LEASEHOLD AND MINERAL OWNERS TO UNORTHODOX
LOCATION OF THE LIBERTY 4 FED. COM. NO. 1 WELL LOCATED 330' FWL & 1800
FSL OF SECTION 4, T20S-R36E, LEA COUNTY, NEW MEXICO**

TRACT I

**W/2 SEC., 33, SE/4 SEC. 32, T19S-R36E
E /2 SEC. 5, T20S-R36E, LEA COUNTY, NM**

OPERATOR AND LEASEHOLD W.I. OWNERS:

- 1) READ & STEVENS, INC. (Operator)
- 2) Louis Dreyfus Natural Gas Corporation
14000 Quail Springs Parkway – Suite 6
Oklahoma City, OK 73134
Attn: Mr. Joe Hammond
- 3) Chase Oil Corporation
P.O. Box 1767
Artesia, NM 88211
Attn: Mr. Ron Lanning
- 4) Mack C. Chase, Trustee of the Mack C. and Marilyn Y. Chase Trust
P.O. Box 693
Artesia, NM 88211
- 5) Rebecca S. Ericson, Attorney-in-Fact for Gerene Dianne Chase Crouch
P.O. Box 693
Artesia, NM 88211
- 6) Robert C. Chase
- 7) Richard L. Chase
P.O. Box 359
Artesia, NM 88211

LEASED MINERAL OWNERS:

- 1) New Mexico Baptist Foundation, Trustee fbo New Mexico
Baptist Children's Home, Inc.
P.O. Box 485
Albuquerque, NM 87103
- 2) Alta Faye Klein
P.O. Box 1503
Hobbs, NM 88240
- 3) George Linam Klein
P.O. Box 1503
Hobbs, NM 88202
- 4) Harry Scott Klein
1313 Page
Hobbs, NM 88240

TRACT 2

N/2 SEC. 8 AND W/2 SEC. 9, T20S-R36E, LEA COUNTY, NM

*OPERATOR & LEASEHOLD W.I. OWNERS:

- 1) READ & STEVENS, INC. (Operator)
- 2) Louis Dreyfus Natural Gas Corporation
- 3) Chase Oil Corporation
- 4) Mack C. Chase, Trustee of the Mack C. and Marilyn Y. Chase Trust
- 5) Rebecca S. Ericson, Attorney-in-Fact for Gerene Dianne Chase Crouch
- 6) Robert C. Chase
- 7) Richard L. Chase

*These owners were conveyed leasehold interests by Term Assignments from the following original Lessees:

- 1) Conoco, Inc.
10 Desta Drive – Suite 100 W
Midland, TX 79705
Attn: Mr. Charles Rule
- 2) Chevron U.S.A. Production Company
P.O. Box 36366
Houston, TX 77236
Attn: Mr. James Baca, Project Landman
- 3) Apache Corporation
2000 Post Oak Blvd. – Suite 100
Houston, TX 77056-4400
Attn: Mr. Tim Custer, Sr. Landman
- 4) Atlantic Richfield Company
C/o BP, Inc.
200 Westlake Park Blvd.
Room 241 A
Houston, TX 77079
Attn: Mr. Lee Scarborough

LEASED MINERAL OWNERS:

United States of America
Bureau of Land Management
P.O. Box 27115
Santa Fe, NM 87502-0115
Serial Nos. NM-89875; NM-89873



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 16, 2001

Read & Stevens, Inc.
c/o **Holland & Hart LLP and Campbell & Carr**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: **William F. Carr**

*Re: Administrative application to amend NSL-4536 to include
the Wolfcamp, Strawn, Atoka, and Morrow formations.*

Dear Mr. Carr:

My review of your application dated February 20, 2001 indicates the location of Read & Stevens, Inc.'s proposed Liberty "4" Com. Well No. 1 (API No. 30-025-35371) to be drilled 1800 feet from the South line and 330 feet from the West line (Unit L) of Section 4, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico is within the governing limits (one mile) of the North Osudo-Morrow Gas, which requires 640-acre spacing units and for wells to be located no closer than 1650 feet from the unit boundary Pool (see copy of Division Orders No. R-3305 and R-3305-A, attached).

Please advise. I will hold this application pending your response. Thank you.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs

North Osuda - Morrow Gas Pool County, Lea, New Mexico

Township 19 South Range 35 East

Township 19 South Range 36 East

Township 20 South Range 35 East

Township 20 South Range 36 East

Form 104-(Four on Township)

6	5	4	3	2	1	6	5	4	3	2	1
7	8	9	10	11	12	7	8	9	10	11	12
18	17	16	15	14	13	18	17	16	15	14	13
19	20	21	22	23	24	19	20	21	22	23	24
30	29	28	27	26	25	30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36
6	5	4	3	2	1	6	5	4	3	2	1
7	8	9	10	11	12	7	8	9	10	11	12
18	17	16	15	14	13	18	17	16	15	14	13
19	20	21	22	23	24	19	20	21	22	23	24
30	29	28	27	26	25	30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36

*Proposed Liberty #4
Com. #1
1200' x 1100' - 330' E/W*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3642
Order No. R-3305
NOMENCLATURE

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR SPECIAL POOL RULES, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 29th day of August, 1967, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Pan American Petroleum Corporation, seeks the promulgation of special rules and regulations for the North Osudo-Morrow Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing units and specified well locations.

(3) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to 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 640-acre spacing units should be promulgated for the North Osudo-Morrow Gas Pool.

(4) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(5) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(6) That this case should be reopened at an examiner hearing in August, 1968, at which time the operators in the subject pool should be prepared to appear and show cause why the North Osudo-Morrow Gas Pool should not be developed on 320-acre spacing units.

(7) That the horizontal limits of the subject pool, as heretofore classified, defined, and described, should be extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 17: N/2
Section 20: S/2
Section 30: W/2

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the North Osudo-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, are hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 17: N/2
Section 20: S/2
Section 30: W/2

(2) That temporary Special Rules and Regulations for the North Osudo-Morrow Gas Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
NORTH OSUDO-MORROW GAS POOL**

RULE 1. Each well completed or recompleted in the North Osudo-Morrow Gas Pool or in the Morrow formation within one mile

thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

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

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the North Osudo-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before September 15, 1967.

(2) That any operator desiring to dedicate acreage pursuant to Rule 2 to a well presently drilling to or completed in the North Osudo-Morrow Gas Pool shall file a new Form C-102 with the Commission on or before September 15, 1967.

(3) That this case shall be reopened at an examiner hearing in August, 1968, at which time the operators in the subject pool may appear and show cause why the North Osudo-Morrow Gas Pool should not be developed on 320-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

S E A L

GUYTON B. HAYS, Member

esr/

A. L. PORTER, Jr., Member & Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3642
Order No. R-3305-A

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR SPECIAL POOL RULES, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 7, 1968, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of August, 1968, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 by Order No. R-3305, dated August 29, 1967, temporary Special Rules and Regulations were promulgated for the North Osudo-Morrow Gas Pool, Lea County, New Mexico, for a one-year period.
- (3) That pursuant to the provisions of Order No. R-3305, this case was reopened to allow the operators in the subject pool to appear and show cause why the North Osudo-Morrow Gas Pool should not be developed on 320-acre spacing units.
- (4) That the evidence establishes that one well in the North Osudo-Morrow Gas Pool can efficiently and economically drain and develop 640 acres.
- (5) That the Special Rules and Regulations promulgated by Order No. R-3305 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool.
- (6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk

-2-

CASE No. 3642

Order No. R-3305-A

arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-3305 should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the North Osudo-Morrow Gas Pool, promulgated by Order No. R-3305, are hereby continued in full force and effect until further order of the Commission.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

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May 9, 2001

HAND DELIVERED

Michael E. Stogner
Chief Hearing Officer and Engineer
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Read & Stevens, Inc. for amendment of administrative Order NSL-4536 for approval of an unorthodox well location for its Liberty 4 Federal Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Stogner:

On December 27, 2001, the Oil Conservation Division entered Order NSL-4536 which approved the application of Read & Stevens, Inc. for an unorthodox well location in the Ellenberger and Devonian formations for its Liberty 4 Federal Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico. The W/2 of Section 4 is to be dedicated to the well. On February 20, 2001, Read & Stevens filed an application to amend NSL-4536 to also include the Wolfcamp, Strawn, Atoka and Morrow formations.

By letter dated March 16, 2001, you advised Read & Stevens, Inc., that the proposed well location was within one mile of the North Osudo-Morrow Gas Pool which is governed by Special Pool Rules and Regulations which provide for 640-acre spacing units with wells to be located 1650 feet from the outer boundary of the spacing unit. Read & Stevens was advised that the application would be held pending a response.

Read & Stevens has reviewed their geological interpretation of the Morrow formation in this area and concluded that the Morrow is not a prospect in this well. Accordingly,

01 MAY 10 PM 4:32
01 MAY 10 PM 4:32

Michael E. Stogner

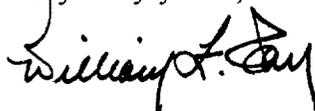
May 9, 2001

Page 2

Read & Stevens withdraws its application to amend Order No. NSL-4536 to include the Morrow. On February 20, 2001 Read & Stevens notified all affected parties of our application to amend Order NSL-4536 -- including the Morrow formation. Since there was no objection to that proposed amendment and since what Read & Stevens now seeks is less than what it sought in February, Read & Stevens requests that this application, as amended by the deletion of the Morrow formation, be approved without additional notice to affected persons.

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large, stylized initial "W".

William F. Carr

cc: Mr. Robert H. Watson
Read & Stevens, Inc.
Post Office Box 1518
Roswell, New Mexico 88202

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

03/16/01 08:38:20
OGOMES -TQCE
PAGE NO: 1

Sec : 04 Twp : 20S Rng : 36E Section Type : NORMAL

4 40.14 Federal owned	3 40.15 Federal owned	2 40.15 Federal owned	1 40.16 Federal owned
E 40.00 Fee owned	F 40.00 Fee owned	G 40.00 Fee owned	H 40.00 Fee owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

03/16/01 08:38:24
OGOMES -TQCE
PAGE NO: 2

Sec : 04 Twp : 20S Rng : 36E Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Fee owned	Fee owned	Fee owned	Fee owned
P			A
M 40.00	N 40.00	O 40.00	P 40.00
Fee owned	Fee owned	Fee owned	Fee owned
			A

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

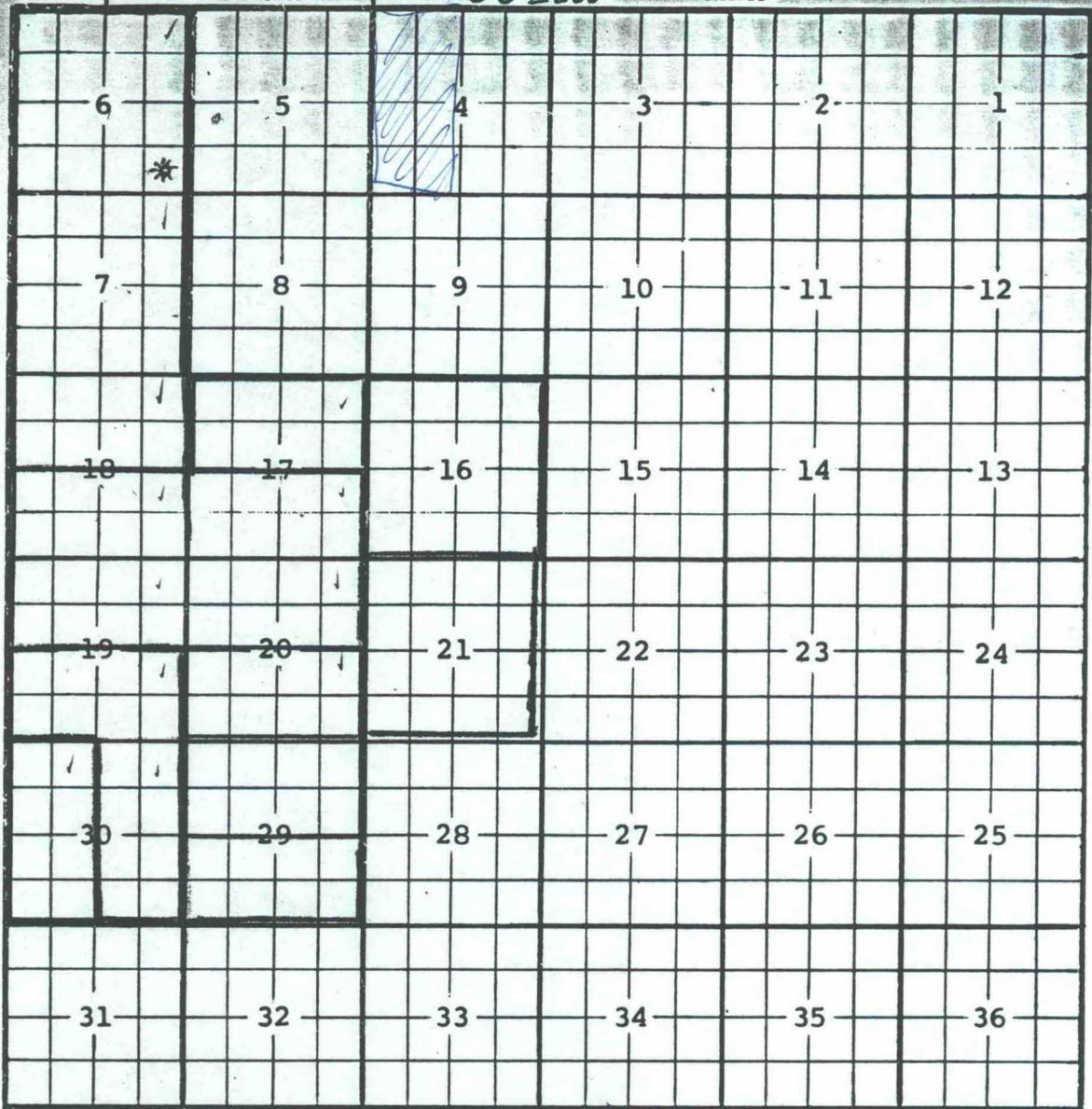
COUNTY *Lea*

POOL *North Osudo - Morrow Gas*

TOWNSHIP *20 South*

RANGE *36 East*

NMPM



Description: $\frac{S}{2}$ Sec. 17; $\frac{S}{2}$ Sec. 18; $\frac{N}{2}$ Sec. 19; $\frac{N}{2}$ Sec. 20 (R-2937, 7-13-65)

Ext: $\frac{S}{2}$ Sec. 19; $\frac{E}{2}$ Sec. 30 (R-3152, 12-1-66) - $\frac{N}{2}$ Sec. 17; $\frac{S}{2}$ Sec. 20; $\frac{W}{2}$ Sec. 30 (R-3305, 8-29-67)

- All Sec. 6 & 7; $\frac{N}{2}$ Sec. 18 (R-3342, 12-1-67) Ext: N/2 Sec 29 (R-6005, 6-1-79)

Ext: $\frac{S}{2}$ Sec. 29 (R-6476, 10-1-80) Ext: All Sec 16 (R-6576, 2-10-81)

Ext: All Sec. 21 (R-10972, 4-13-98)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

December 27, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Read & Stevens, Inc.
c/o William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Telefax No. (505) 983-6043

Administrative Order NSL-4536

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Read & Stevens, Inc. dated December 6, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Read & Stevens, Inc.'s request for an unorthodox wildcat gas well location in both the Devonian and deeper Ellenburger formations for its proposed Liberty "4" Federal Com Well No. 1 to be drilled 1800 feet from the South line and 330 feet from the West line (Unit L) of Section 4, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 4, being a standard 320.29-acre stand-up gas spacing and proration unit for both formations is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Read & Stevens, Inc. is seeking this location exception based on a 3-D seismic survey of the immediate area, which indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the shallower Devonian formation than a well drilled at a location considered to be standard within the W/2 equivalent of Section 4.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox wildcat gas well location to both the Devonian and Ellenburger formations within this 320.29-acre unit comprising the W/2 equivalent of Section 4 is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Read & Stevens, Inc. P. O. Box 1518 Roswell, NM 88202		² OGRID Number 018917
³ Property Code 27169		³ API Number 30-025-35371
⁵ Property Name Liberty 4 Com		⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	4	20S	36E		1800	South	330	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Wildcat Ellenburger					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P/F	¹⁵ Ground Level Elevation 3,629'
¹⁶ Multiple No	¹⁷ Proposed Depth 14,000'	¹⁸ Formation Granite	¹⁹ Contractor Pending	²⁰ Spud Date ASAP

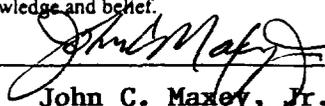
²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
26"	20"	94#	400'	900	Surface
17 1/2"	13 3/8"	68 & 72#	4,900'	3000	Surface
12 1/4"	9 5/8"	43.5 & 47#	9,400'	1000	Tie back+200'
8 3/4"	7"	26 & 29#	10,000'	150	9,100'
6 1/8"	4 1/2"	11.6#	14,000'	300	9,700'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Read & Stevens proposes to drill a wildcat test at the above location. An 11" 5000 psi double ram and 5000 psi annular preventer will be nipped up on the 20" surface and utilized to TD. APVT, hydraulic choke, and mud separator will be operational before drilling the Morrow.

Permit Expires 1 Year From Approval
Date Unless Drilling Underway
NSL-4536

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: 	Approved by: 	Title: SUPERVISOR	
Printed name: John C. Maxey, Jr.	Title: SUPERVISOR	Approval Date:	Expiration Date:
Title: Operations Manager	Approval Date:	Expiration Date:	
Date: 1-16-2001	Phone: 505/622-3770	Conditions of Approval:	
Attached <input type="checkbox"/>		NSL-4536	

DISTRICT I
 P. O. Box 1980
 Hobbs, NM 88241-1980

State of New Mexico
 Energy, Minerals, and Natural Resources Department

Form C-102
 Revised 02-10-94
 Instructions on back

DISTRICT II
 P. O. Drawer DD
 Artesia, NM 88211-0719

RECEIVED JAN 8 2001
OIL CONSERVATION DIVISION
 P. O. Box 2088
 Santa Fe, New Mexico 87504-2088

Submit to the Appropriate
 District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

DISTRICT III
 1000 Rio Brazos Rd.
 Aztec, NM 87410

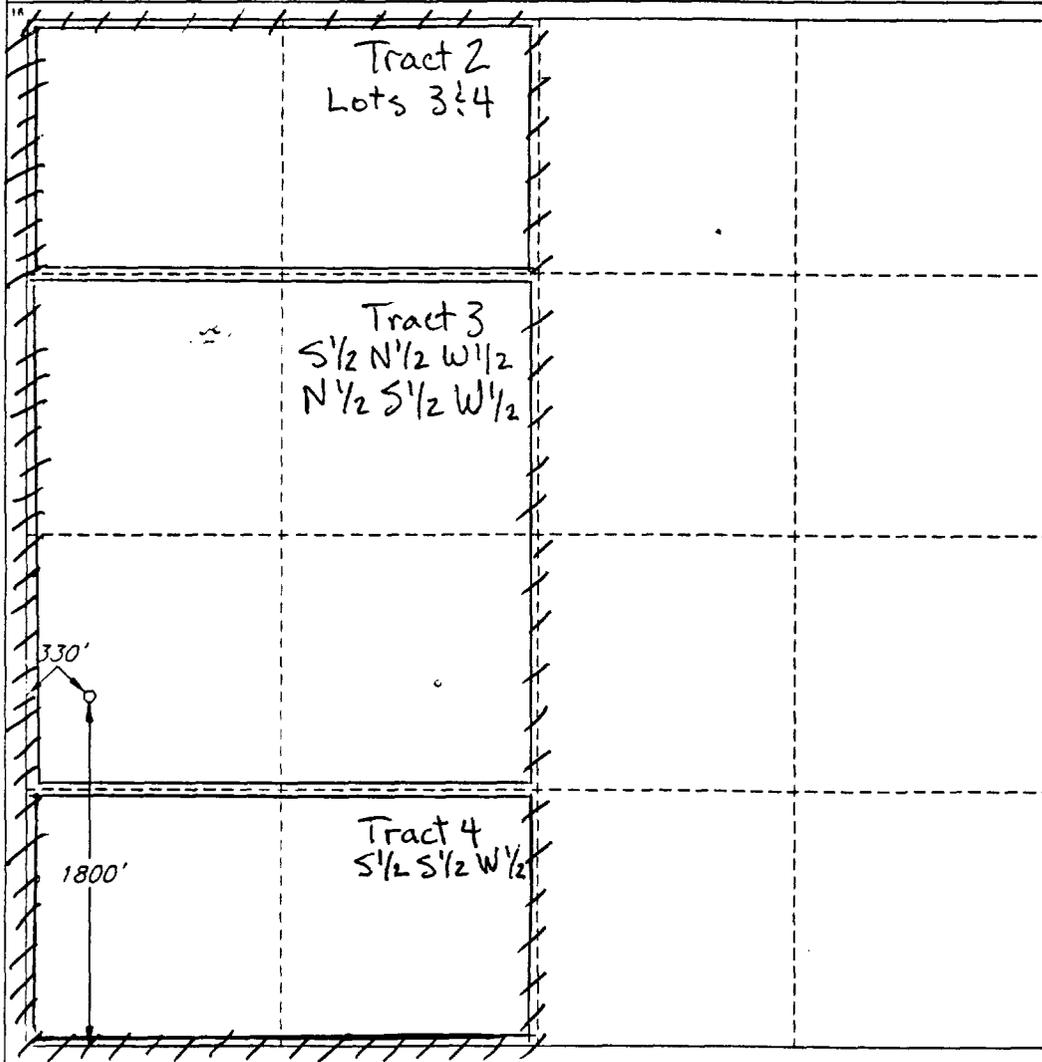
AMENDED REPORT

DISTRICT IV
 P. O. Box 2088
 Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-35371		2 Pool Code ✓		3 Pool Name Wildcat Ellenburger					
4 Property Code 27169		5 Property Name <i>John</i> LIBERTY 4 FEDERAL COM						6 Well Number 1	
7 OGRID No. 018917		8 Operator Name READ & STEVENS, INC.						9 Elevation 3629'	
10 SURFACE LOCATION									
UL or lot no. L	Section 4	Township 20 SOUTH	Range 36 EAST, N.M.P.M.	Lot Ida	Feet from the 1800'	North/South line SOUTH	Feet from the 330'	East/West line WEST	County LEA
11 BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE									
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres 320		13 Joint or Infill N		14 Consolidation Code P		15 Order No. NSL 4536			

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

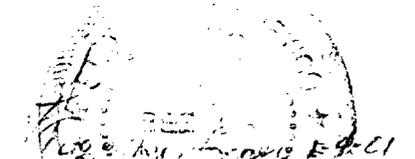
Signature: *John C. Maxey, Jr.*
 Printed Name: **John C. Maxey, Jr.**
 Title: **Operations Manager**
 Date: **1-16-2001**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: **DECEMBER 29, 2000**

Signature and Seal of Professional Surveyor



Certificate No. **V. L. BEZNER R.E.S. #7920**
 JOB #73640 / 71 SE / J.C.P.

Liberty 4 Com #1
330' FWL & 1800' FSL
Section 4 T20S-R36E
Lea County, New Mexico

Working Interest Owners
(Per C102 Plat)
Tracts 2, 3 & 4

Gerene Dianne Chase Crouch	.005
Richard L. Chase and wife, Karla Chase	.0075
Robert C. Chase and wife, Deb E. Chase	.0125
Mack C. Chase, Trustee of the Mack C. Chase and Marilyn Y. Chase Trust, U/T/A dated November 21, 1983	.0625
Chase Oil Corporation	.1625
Charles B. Read	.03
First Century Oil, Inc.	.02
Louis Dreyfus Natural Gas Corp.	.50
Read & Stevens, Inc.	.20
	<hr/>
	1.0000

Royalty Interest Owners
(Per C102 Plat)
Tract 2

United States of America	1.0000
	<hr/>
	1.0000

Royalty Interest Owners
Liberty 4 Com #1
(Per C102 Plat)
Tract 3

Hard Family Mineral Interest	0.2500000
Jim Hewes	0.1406250
Frank Hewes	0.0156250
Republic Royalty Company	0.1367187
Jack C. Vaugh, et al	0.0195313
Harry S. Wright	0.1250000
Jerry Lee Hooper and wife, Margaret A. Hooper	0.0104167
Jimmy Joe Hooper and wife, Lynne C. Hooper	0.0104167
Jeannine Hooper Byron	0.0104166
June Danglede Speight	0.1093750
Charles B. Read	0.0312500
Margaret K. Hunker	0.0156250
Jones-Robinson Company	0.1250000
	<hr/>
	1.0000000

Royalty Interest Owners
Liberty 4 Com #1
(Per C102 Plat)
Tract 4

J. Hiram Moore, et al	0.12500
Charles B. Read	0.03125
Klein Bank	0.03125
First National Bank, Lubbock	0.06250
Main Street Holding Company	0.50000
June Danglade Speight	0.25000
	<hr/>
	1.00000

Microsftwrd/jcmltrs/liberty4com1