

**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.

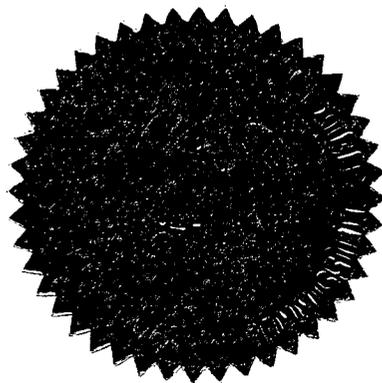
(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



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