

**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. 12776 (Reopened)
ORDER NO. R-11723-A**

**IN THE MATTER OF CASE NO. 12776 BEING REOPENED PURSUANT TO
THE PROVISIONS OF DIVISION ORDER NO. R-11723, WHICH ORDER
CREATED THE EAST PENASCO DRAW-UPPER PENNSYLVANIAN POOL
AND PROMULGATED TEMPORARY SPECIAL POOL RULES AND
REGULATIONS THEREFOR, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 7, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 16th day of December, 2003, 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-11723, issued in Case No. 12776 and dated February 6, 2002, the **East Penasco Draw-Upper Pennsylvanian Pool** was created for the production of oil from the Upper Pennsylvanian formation in the SE/4 of Section 15, Township 18 South, Range 25 East, NMPM, Eddy 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 Penasco Draw-Upper Pennsylvanian Pool or in the Cisco and Canyon formations within one mile thereof, and not nearer to or within the limits of another Upper Pennsylvanian 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 160 acres, more or less, consisting 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 660 feet to any quarter section line nor closer than 10 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: There shall be no more than one producing oil well for each 160-acre oil spacing and proration unit.

(3) Pursuant to the provisions of the order promulgating these special rules and regulations, this case was reopened to allow the operators in this pool to appear and show cause why these rules should not be rescinded and the pool developed on statewide 40-acre spacing units.

(4) The East Penasco Draw-Upper Pennsylvanian Pool currently comprises the following-described acreage in Eddy County, New Mexico.

TOWNSHIP 18 SOUTH. RANGE 25 EAST. NMPM

Section 15: SE/4

(5) The one (1) well producing in this East Penasco Draw-Upper Pennsylvanian Pool is the Oxy Englebert Well No. 1 (**API No. 30-015-31845**) operated by Oxy USA WTP Limited Partnership ("Oxy"). Current production from this well is approximately 26 barrels of oil per day and 80 Mcf of gas per day, and current ultimate recovery estimates for this well range from 43 to 52 thousand barrels of oil.

(6) The original applicant, Oxy USA WTP Limited Partnership, appeared and presented testimony supporting the continued development of this pool on 160-acre spacing.

(7) Oxy presented engineering evidence that existing drainage areas are consistent with spacing of one well per 160-acre unit. Further evidence and testimony indicate that maintaining 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 property in the pool the opportunity to produce its just and equitable share of the oil in the pool.

(8) No interested parties appeared at the hearing in opposition to the continuation of the current special pool rules.

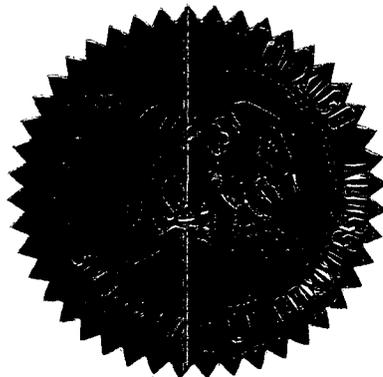
(9) In order to prevent the economic loss caused by the drilling of an excessive number of wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells and to otherwise prevent waste and protect correlative rights, the "Special Rules and Regulations for the East Penasco Draw-Upper Pennsylvanian Pool," as promulgated by Division Order No. R-11723, 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 Penasco Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, 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

Lori Wrottenbery

LORI WROTENBERY
Director