



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 2, 2003

Pecos Production Company
400 West Illinois, Suite 1070
Midland, Texas 79701

Attention: **William R. Huck**

billh@pecosproduction.com

Telefax No. (915) 683-1628

Administrative Order NSL-4872

Dear Mr. Huck:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on April 4, 2003 (*administrative application reference No. pKRV0-309734607*); (ii) your initial telephone conversation with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, New Mexico on Monday afternoon, April 14, 2003; (iii) your second telephone conversation with Mr. Stogner on Wednesday, April 16, 2003; (iv) your telefax of April 17, 2003 with additional information; (v) your follow-up voice mail message and telephone conversation with Mr. Stogner on Thursday, April 17, 2003; (vi) yours and Mr. Stogner's e-mail correspondence of April 22, 2003; (vii) your telefax of April 30, 2003 with the necessary information to complete this application before the required 20-day waiting period; (viii) your e-mail inquires of May 1, 2003; and (ix) the Division's records in Santa Fe.

The Division Director Finds That:

(1) Pecos Production Company ("Pecos"), as operator, proposes to drill its Fort "21" Well No. 1 at a location that is 2310 feet from the North line and 1978 feet from the East line (Unit G) of Section 21, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico, to a depth of 14,000 feet, which is sufficient to test the Mississippian formation;

(2) Pursuant to Pecos's request, the gas bearing Atoka, Morrow, and Mississippian intervals are to be tested for gas production along with the oil bearing Lower Permian/Pennsylvanian zone (s);

(3) Pecos is seeking the appropriate well location exceptions to all applicable well location set-back requirements governing any and all formations and/or pools from the top of the Wolfcamp formation to the base of the Mississippian formation for its above-described Fort "21" Well No. 1 that is to be dedicated to the following spacing and proration units:

- (a) the E/2 of Section 21 to form a standard 320-acre stand-up gas spacing unit for any and all formations and/or pools developed on 320-acre spacing units and governed under the provisions of Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, within this vertical extent, which presently includes but not necessarily limited to the Undesignated Tres Papalotes-Atoka Gas Pool (96586); and
- (b) the NE/4 of Section 21 to form a standard 160-acre oil spacing and proration unit for any those pools developed on 160-acre spacing within this vertical extent, which currently includes the Undesignated High Plains-Permo Upper Pennsylvanian Pool (31055), Undesignated Tres Papalotes-Pennsylvanian Pool (59870), and Undesignated East Saunders-Permo Pennsylvanian Pool (54960);

(4) The High Plains-Permo Pennsylvanian Pool is currently governed under the *"Special Rules and Regulations for the High Plains-(Permo Upper) Pennsylvanian Pool,"* as promulgated by Division Order No. R-2874, as amended by Division Orders No. R-2874-A, R-2874-B, R-2874-C, and R-7955, which includes provisions for 160-acre oil spacing and proration units comprising a single governmental quarter section (see Rule 2) and for wells to be located no closer than 660 feet to the outer boundary of the unit nor nearer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary (see Rule 4);

(5) The Tres Papalotes-Pennsylvanian Pool is currently governed under the *"Special Rules and Regulations for the Tres Papalotes-Pennsylvanian Pool,"* as promulgated by Division Order No. R-3963, as amended by Division Order No. R-3963-A, which includes provisions for 160-acre oil spacing and proration units comprising a single governmental quarter section (see Rule 2) and for wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot (see Rule 4);

(6) The East Saunders-Permo Pennsylvanian Pool is currently governed under the *"Special Rules and Regulations for the East Saunders-Permo Pennsylvanian Pool,"* as promulgated by Division Order No. R-2359, as amended by Division Orders No. R-2359-A, R-2359-B, and R-2359-C, which includes provisions for 160-acre oil spacing and proration units comprising a single governmental quarter section (see Rule 2) and for wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot (see Rule 3);

(7) Division Rule 104.C (2), as revised, provides that deep gas production within southeast New Mexico (any thing below the top of the Wolfcamp formation) be developed on 320-acre spacing units comprising any two contiguous quarter sections of a single section and for wells to be located no closer than 660 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;

(8) The subject application has been duly filed under the provisions of Division Rule 104.F (2), as revised and the applicable provisions of the special pool rules governing the High Plains-Permo Upper Pennsylvanian, Tres Papalotes-Pennsylvanian, and East Saunders-Permo Pennsylvanian Pools;

(9) The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox location into the Atoka/Morrow interval will be at a more favorable geologic position within the structures of both intervals than a well drilled at a location considered to be standard within the NE/4 of Section 21; and

(10) The subject application, which serves to prevent waste and being in the best interest of conservation, should be approved.

The Division Director Finds That:

(1) Pecos Production Company is hereby authorized to drill its Fort "21" Well No. 1 at an unorthodox location that is 2310 feet from the North line and 1978 feet from the East line (Unit G) of Section 21, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico, to a depth of 14,000 feet, in order to test the deeper Atoka, Morrow, and Mississippian formations for gas production and the shallower Lower Permian/Pennsylvanian formations for oil.

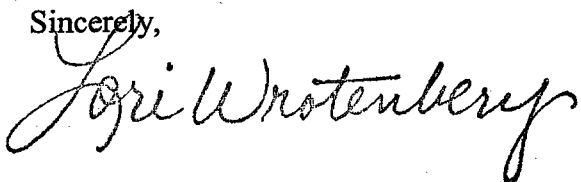
(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 21:

- (a) the E/2 to form a standard 320-acre stand-up gas spacing unit for any and all formations and/or pools developed on 320-acre spacing units and governed under the provisions of Division Rule 104.C (2), as revised, within this vertical extent, which presently includes but not necessarily limited to the Undesignated Tres Papalotes-Atoka Gas Pool (96586); and
- (b) the NE/4 to form a standard 160-acre oil spacing and proration unit for any those pools developed on 160-acre

spacing within this vertical extent, which currently includes the Undesignated High Plains-Permo Upper Pennsylvanian Pool (31055), Undesignated Tres Papalotes-Pennsylvanian Pool (59870), or Undesignated East Saunders-Permo Pennsylvanian Pool (54960).

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, reading "Lori Wrotenbery". The signature is written in dark ink and is positioned below the word "Sincerely,".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs