



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

November 16, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Pride Energy Company

c/o **James Bruce**

P. O. Box 1056

Santa Fe, New Mexico 87504

Division Administrative Order NSL-5132

Reference is made to the following: (i) your initial application (*administrative application reference No. pSEM0-428850186*) on behalf of Pride Energy Company ("Pride") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on October 13, 2004 for location exceptions to the rules and regulations currently governing both the Four Lakes-Devonian Gas Pool (76920) and the Four Lakes-Upper Pennsylvanian Pool (25460) for Pride's proposed South Four Lakes Unit Well No. 15 to be drilled 2380 feet from the North line and 2230 feet from the East line (Unit G) of Section 2, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico; (ii) the Division's response by letter from Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe dated November 1, 2004 withdrawing this application from the Division's administrative process and setting this matter to hearing before a duly appointed Examiner (*see Division Case No. 13390*); (iii) your e-mail of Monday, November 8, 2004 requesting the initial application be amended to address the deeper Four Lakes-Devonian Gas Pool only; and (iv) the Division's records in Hobbs and Santa Fe, including the files in Division Cases No. 10546 and 13390.

The Four Lakes-Devonian Gas Pool is currently governed under Division Rule 104.C (3), see the Division Director's memorandum dated October 25, 1999 concerning older deep gas pools established prior to June 1, 1964, which requires 160-acre spacing units comprising a single governmental quarter section. Pride's proposed well is to be a replacement gas well within a previously existing 160.14-acre spacing unit in the Four Lakes-Devonian Gas Pool comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 2, which was dedicated to Pride's South Four Lakes Unit Well No. 8 (API No. 30-025-29533), located at a standard gas well location 660 feet from the North line and 990 feet from the East line (Lot 1/Unit A) of Section 2, from April 1, 1986 (*date of first production when the well was operated by Exxon Corporation*) to September, 1997 (*date of last reported production by Phillips Petroleum Company*).

Your 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.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Four Lakes-Devonian Gas Pool than a well drilled at a location considered to be standard within the above-described 160.14-acre spacing unit.

Furthermore, this replacement well at the proposed unorthodox gas well location will enable Pride to deplete additional reserves within this unit and state lease that might not otherwise be recovered.

It is further understood that all of Section 12 is a single state lease issued by the New Mexico State Land Office (*State Lease No. E-02064-0001*) in which all leasehold ownership is common, and which is committed to the South Four Lakes Unit (*see Division Orders No. R-710 and R-710-A*).

By the authority granted me under the provision of Division Rule 104.F (2), the above-described unorthodox Devonian gas well location for Pride's proposed South Four Lakes Unit Well No. 15 is hereby approved.

IT IS FURTHER ORDERED THAT:

(1) Division Order No. R-9758, issued in Case No. 10546 on November 10, 1992, which order authorized Phillips Petroleum Company to drill its South Four Lakes Well No. 13 as an infill well within this 160.14-acre unit at an unorthodox gas well location within a fifty foot radius of a point 2450 feet from the North line and 960 feet from the East line (Unit H) of Section 2 (which well was never permitted), is hereby placed in abeyance until further notice.

(2) Any subsequent request by the operator of the above-described South Four Lakes Unit Well No. 15 to amend this administrative order to include any other formation or pool shall be set to hearing and will not be administered administratively.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Case No. 10546
Case No. 13390