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2006 AUG 2 PM 2 43

August 1, 2006

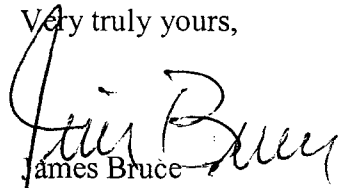
Case 13765

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Read & Stevens, Inc., are an original and one copy of an application for cancellation of a drilling permit, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the August 31, 2006 Examiner hearing. Thanks.

Very truly yours,

  
James Bruce  
Attorney for Read & Stevens, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF READ & STEVENS, INC. FOR  
CANCELLATION OF ONE DRILLING PERMIT  
AND APPROVAL OF A SECOND DRILLING  
PERMIT, CHAVES COUNTY, NEW MEXICO.

2006 AUG 2 PM 2 43

Case No. 13765

APPLICATION

Read & Stevens, Inc., for its application, states:

1. Applicant is a working interest owner in the N½ of Section 22, Township 11 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.
2. Applicant proposes to drill its Marley 22 Well No. 1, to be located 1980 feet from the north line and 660 feet from the east line of Section 22, to a depth sufficient to test the Atoka, Morrow, and Mississippian formations. Applicant proposes to dedicate the N½ of Section 22 to the well to form a standard 320 acre gas spacing and proration unit as to the above formations.
3. In April 2006, Samson Resources Company ("Samson") filed with the Division's Artesia District Office an Application for Permit to Drill ("APD") for its Manry Elliott Well No. 2, to be drilled at a location 1980 feet from the north line and 1980 feet from the east line of Section 22, to a depth sufficient to test the Morrow formation. Samson's APD was approved by the Division, with the E½ of Section 22 to be dedicated to the well to form a standard 320 acre gas spacing and proration unit.
4. Subsequently, applicant filed with the Division's Artesia District Office an APD for its proposed well, as to the Mississippian formation. The APD was approved. However, the Division would not approve a N½ well unit as to the Morrow formation because of Samson's previously approved APD.

5. Applicant is ready and willing to commence the Marley 22 Well No. 1, and has proposed its well to Samson. Samson has not proposed its well to applicant.

6. Applicant should be allowed to form its proposed N½ well unit as to the Atoka and Morrow formations, as well as the Mississippian formation, and Samson's APD should be canceled.

7. The granting of this application is in the interests of conservation, the protection of correlative rights, and the prevention of waste.

**WHEREFORE**, applicant requests that, after notice and hearing: (i) Samson's APD be cancelled; and (ii) a lay-down unit as to all zones spaced on 320 acres, as proposed by applicant, be approved.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
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(505) 982-2043

Attorney for Read & Stevens, Inc.

PROPOSED ADVERTISEMENT

Case No. 13765: **Application of Read & Stevens, Inc. for cancellation of one drilling permit and approval of a second drilling permit, Chaves County, New Mexico.** Applicant seeks an order canceling a drilling permit issued to Samson Resources Company covering the E/2 of Section 22, Township 11 South, Range 31 East, NMPM, and requiring the Division's Artesia District Office to approve applicant's drilling permit covering the N/2 of said Section 22, to form a standard 320-acre gas spacing and proration unit in the Atoka, Morrow, and Mississippian formations. Applicant's well unit is located approximately 7 miles west-southwest of Caprock, New Mexico.

2008 AUG 2 PM 2 43