



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 1, 2004

Pride Energy Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Case 13390

RE: *Administrative application (Division reference No. pSEM0-428850186) filed with the Division 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 Energy Company'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.*

Dear Mr. Bruce:

I have reviewed your application filed with the Division on October 13, 2004 and pursuant to **Rules 2 and 4** of the "Special Rules and Regulations for the Four Lakes-(Upper) Pennsylvanian Gas Pool," as promulgated by Division Order No. R-2326, issued in Case No. 2632 on October 23, 1962, the Division cannot process your request administratively.

Rule 2 states: "Each well completed or recompleted in the Four Lakes-[Upper] Pennsylvanian Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2, or W/2 of a single governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit."

Rule 4 states: "The initial well on any 80-acre unit in [the Four Lakes-Upper Pennsylvanian Pool] shall be located within 150 feet of the center of either quarter-quarter section or lot in the 80-acre unit. Any subsequent additional well on the 80-acre unit shall be located within 150 feet of the center of the other quarter-quarter section or lot in the unit."

Pride's proposed infill Upper Pennsylvanian oil well in the S/2 NE/4 of Section 2, an established 80-acre oil spacing and proration unit, is within the same quarter-quarter section as its existing South Four Lakes Unit Well No. 2 (API No. 30-025-01832) located at a standard oil well location 1980 feet from the North and East lines (Unit G) of Section 2; therefore, this application will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for December 2, 2004. In order to expatiate this matter I have prepared the following advertisement in this matter:

"Application of Pride Energy Company for an unorthodox location and for simultaneous dedication, Lea County, New Mexico. Applicant seeks exceptions to the well location requirements provided within both: (i) Four Lakes-Devonian Gas Pool (76920), which is currently governed under Division Rule 104.c (3), see the Division Director's memorandum dated October 25, 1999 concerning older deep gas pools still spaced on 160-acre units; and (ii) Four Lakes-Upper Pennsylvanian Pool (25460): for its 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. This 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. Further, this well will be an infill well to the existing 80-acre lay-down oil spacing and proration unit comprising the S/2 NE/4 of section 2, which is currently dedicated to the applicant's existing South Four Lakes Unit Well No. 2 (API No. 30-025-01832), located at a standard oil well location 1980 feet from the North and East lines (Unit G) of Section 2. The proposed well and units are located approximately 10 miles west-northwest of Tatum, New Mexico.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
Ms. Florene Davidson, Staff Specialist – NMOCD, Santa Fe