

**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. 13432
ORDER NO. R-12321**

**APPLICATION OF PECOS PRODUCTION COMPANY FOR AN EXCEPTION TO
DIVISION RULE 104.C (2) (b), EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 3, 2005, at Santa Fe, New Mexico before Examiner Richard I. Ezeanyim.

NOW, on this 28th day of March, 2005, 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) The applicant, Pecos Production Company ("Pecos" or "Applicant"), seeks an exception to Division Rule 104.C (2) (b), in order to locate two Morrow gas producing wells within the same quarter section of a 320.08-acre deep gas spacing unit comprising Lots 3, and 4, the S/2NW/4, and SW/4 (W/2 equivalent) of Section 4, Township 18 South, Range 31 East, NMPM, in the East Cedar Lake-Morrow Gas Pool (74605), Eddy County, New Mexico.

(3) This unit is currently dedicated to the Applicant's Anadarko Federal Well No. 2 (API No. 30-015-32852), located at a standard deep gas well location 660 feet from the South and West lines (Unit M) of Section 4. The Applicant's Anadarko Federal Well No. 1 (API No. 30-015-31455), located at a standard deep gas well location 1815 feet from the South line and 1650 feet from the West line (Unit K) of Section 4, is currently shut-in.

(4) Further, this unit is within the East Cedar Lake-Morrow Gas Pool and is currently governed by Division Rule 104.C (2), which states:

“(2) 320-Acre Spacing applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

- (a) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (c) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.”

(5) Applicant proposes to produce both wells simultaneously in the same SW/4 of Section 4 from the Morrow formation. The Applicant's Anadarko Federal Well No. 1 (API No. 30-015-31455) is currently shut-in, while the Anadarko Federal Well No. 2 (API No. 30-015-32852) is producing from the Morrow formation.

(6) The Applicant presented geological evidence, which indicates that the structure in the NW/4 of Section 4 is pinched out and narrow, therefore wells that were drilled in this NW/4 were not productive in the Morrow formation.

(7) Applicant further presented evidence that demonstrates that both its existing Anadarko Federal Well No. 1, and Anadarko Federal Well No. 2 located at standard deep gas well locations in the SW/4 of Section 4, are productive from the Morrow formation.

(8) Applicant provided notice pursuant to the applicable provisions of Division Rule 1207.A.

(9) V-F Petroleum Incorporated, an offset operator, appeared through legal counsel in support of this application.

(10) No other affected party appeared at the hearing in opposition to this application.

(11) Approval of this application will afford the Applicant the opportunity to produce its just and equitable share of gas from the subject pool within this unit, will prevent economic loss caused by the drilling of unnecessary wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Pecos Production Company ("Pecos" or "Applicant"), is hereby granted an exception to Division Rule 104.C (2) (b), for the following two wells to be produced from the W/2 of Section 4, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, being a 320.08-acre stand-up deep gas spacing unit in the East Cedar Lake-Morrow Gas Pool (74605):

(a) The currently shut-in Anadarko Federal Well No. 1 (API No. 30-015-31455), located at a standard deep gas well location 1815 feet from the South line and 1650 feet from the West line (Unit K) of Section 4; and

(b) the currently producing Anadarko Federal Well No. 2 (API No. 30-015-32852), located at a standard deep gas well location 660 feet from the South and West lines (Unit M) of Section 4.

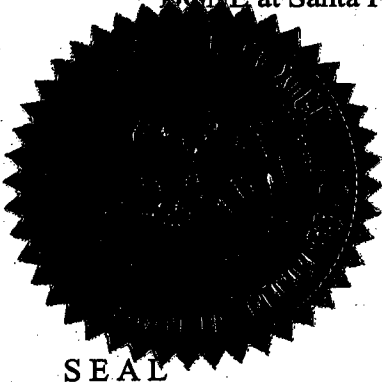
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(2) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

Mark E. Fesmire, P.E.
Director