



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

January 27, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Pecos Production Company
400 W. Illinois – Suite 1070
Midland, Texas 79701

Case 13432

Attention: William R. Huck
Vice-President & Operations

Re: *Application submitted on January 20, 2005 (administrative application reference No. pSEM0-502038261) for an exception to Division Rule 104.C (2) (b) in order to locate and complete two Morrow producing wells with the same quarter section of a standard 320.08-acre stand-up deep gas spacing unit comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 4, Township 18 South, Range 31 East, NMPM, East Cedar Lake-Morrow Gas Pool (74605), Eddy County, New Mexico.*

Dear Mr. Huck,

Since Division Rule 104.C (2) (b) was implemented by Division Order No. R-11231 in Case No. 12119 on August 12, 1999 the Division has set all such request for hearing,

I have prepared the following advertisement for the next available Division Hearing Examiner's docket scheduled for March 3, 2005.

"CASE _____: Application of Pecos Production Company for an exception to Division Rule 104.C (2) (b), Eddy County, New Mexico. Applicant seeks to simultaneously dedicate its: (i) 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, Township 18 South, Range 31 East; and (ii) 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, to the 320.08-acre gas spacing unit in the East Cedar Lake-Morrow Gas Pool (74605) comprising Lots 3 and 4, the S/2 NW/4, and SW/4 (W/2 equivalent) of Section 4. The applicant at this time seeks an exception to Division Rule 104.C (2) (b) since both wells are located within the same quarter section (SW/4 of Section 4). This unit is located approximately 2 ½ miles south of the junction of U.S. Highway 82 and N.M. State Road 529.

Pecos Production Company

Division Administrative Application Reference No. pSEM0-502038261

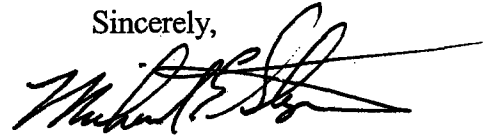
January 27, 2005

Page 2

Please provide proper notice to all offsetting operators or mineral interest owners pursuant to Division Rule 1207.A (2) (c).

Should you have any questions or comments concerning this matter, please contact your legal counsel, Mr. James Bruce in Santa Fe at (505) 982-2043.

Sincerely,



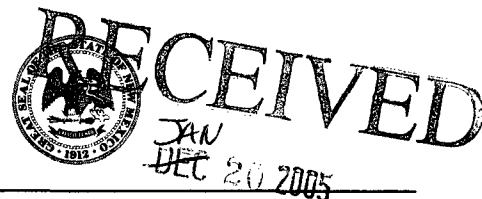
Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
Mr. James Bruce, Legal Counsel for Pecos Production Company - Santa Fe
Ms. Florene Davidson, NMOCD - Santa Fe

| | | | | | |
|--------------------|----------|---------------------|----------------------|------------|---------------------------|
| DATE IN 1-20-05 | SUSPENSE | ENGINEER Stagner | LOGGED IN 1-20-05 | TYPE SD | APP NO. P5em0502038261 |
|--------------------|----------|---------------------|----------------------|------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☒ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☒ Waivers are Attached

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

William R. Huck

Print or Type Name

Signature

VP- Engr. & Operations

Title

1-14-05

Date

billh@pecosproduction.com
 e-mail Address

**Pecos Production Company
400 W. Illinois Suite 1070
Midland, TX 79701**

January 12, 2005

New Mexico Oil Conservation Division
1220 South St Frances Dr.
Santa Fe, NM 87505

RE: Administrative Application for Simultaneous Dedication.
Anadarko Federal Nos 1 & 2.
Cedar Lake; Morrow East Field
W/2 Section 4, Twp 18-S Rge 31-E, Eddy Co., New Mexico

Pecos Production respectfully submits this administrative application for exception to NMAC 19.15.3.104.C (2) (b) to allow the simultaneous dedication and production from the Morrow Zone in the above referenced wells.

The Anadarko Federal No 1 well, in Unit K of Section 4, was drilled and completed by Anadarko Petroleum in May, 2001. The low porosity encountered in the Morrow sand, coupled with numerous mechanical difficulties encountered during the completion, resulted in an initial flow of only 400 MCFD which has since declined to 140 MCFD, with a cumulative production of approximately 280 MMCF, (production curve attached).

Pecos Production drilled the Anadarko Federal No 2 well in Unit M as a Strawn – Morrow test in August, 2004. The Strawn Reef was absent, but the Morrow sand encountered, while mostly depleted, was of much better quality than that encountered in the Anadarko Federal No 1. After completion, the well is flowing approximately 680 MCFD and 60 BWPD.

All the shallow horizons in the proration unit for the Anadarko Federal No 1 have been exploited by the Wilmar Federal No 2 well. So the only utility for the Anadarko Federal No 1 wellbore is in the Morrow Formation. The tight nature of the sand and the low production rate do not make this well a threat to compete for reserves in the Morrow, however, not allowing the well to produce would diminish the economics of a prospect that is already marginal. All the offsets to this proration unit except the Magnum 5 Fed Com No 1, in G-5-18S-31E, and Pecos' Baish Federal No 12 in C-9-18S-31E, have been recompleted to shallower zones.

The attached map shows the location of the subject lease and all offsetting Morrow penetrations and their current status.

All offset operators have been previously notified of this application and have signed waivers of objection, (attached).

Mineral Ownership in the subject lease and all offsets is the US Government.

Incidentally all offsetting Morrow completions were assigned to the North Shugart Morrow Field. To simplify the record and proration schedule, Pecos also requests that the subject wells be re-assigned to the North Shugart Morrow Field, (Pool Code 85305).

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'William R. Huck', written in a cursive style.

William R. Huck

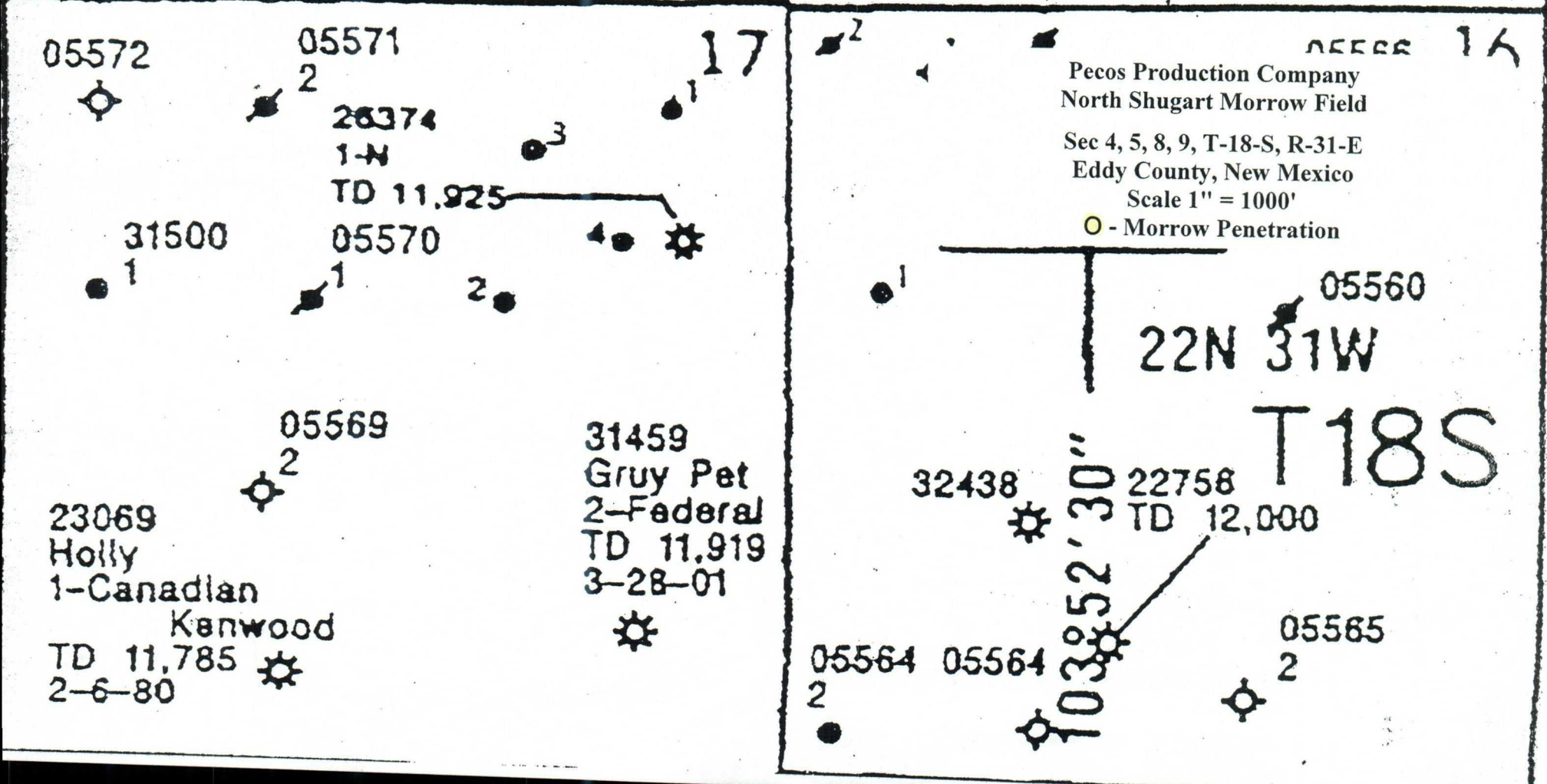
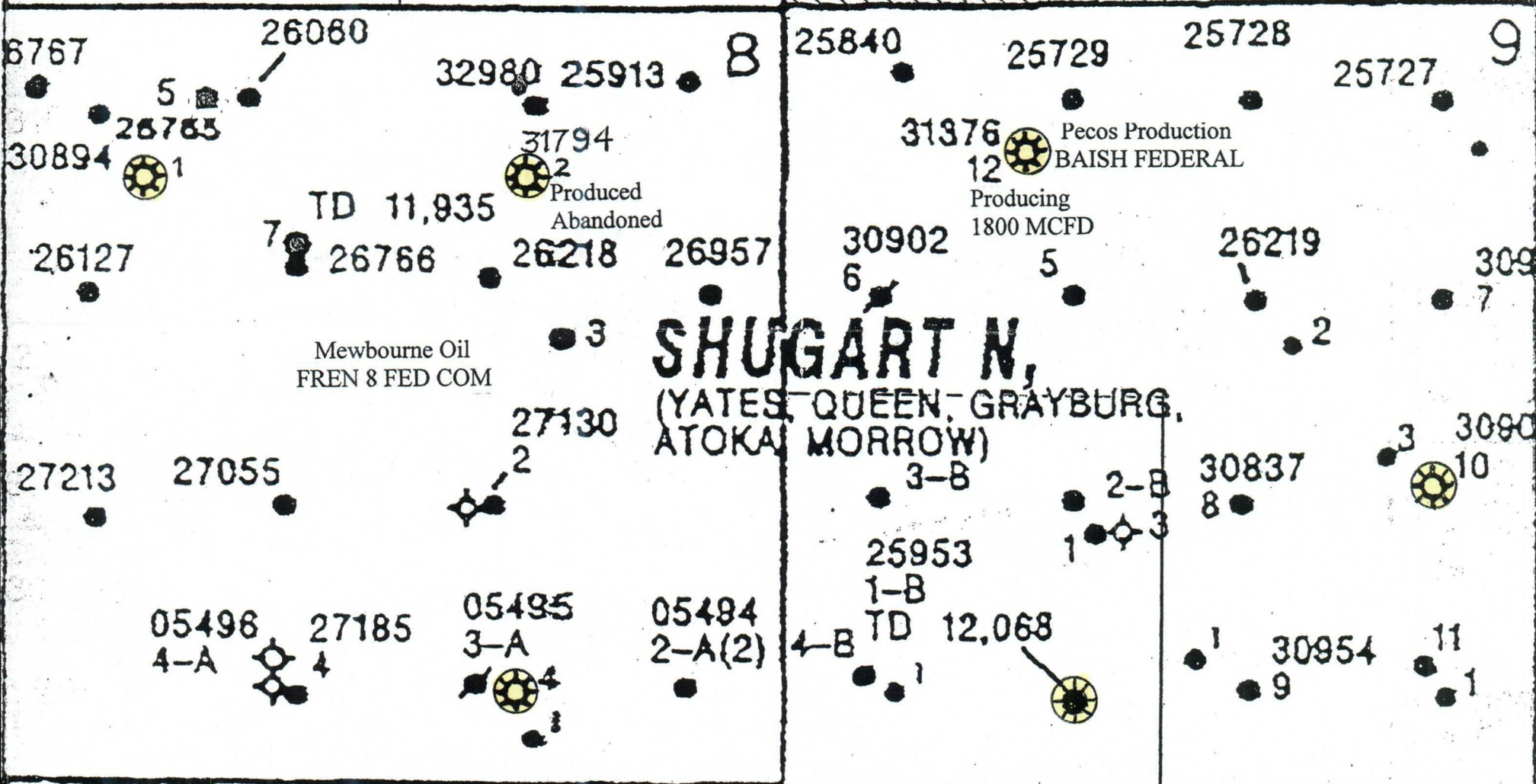
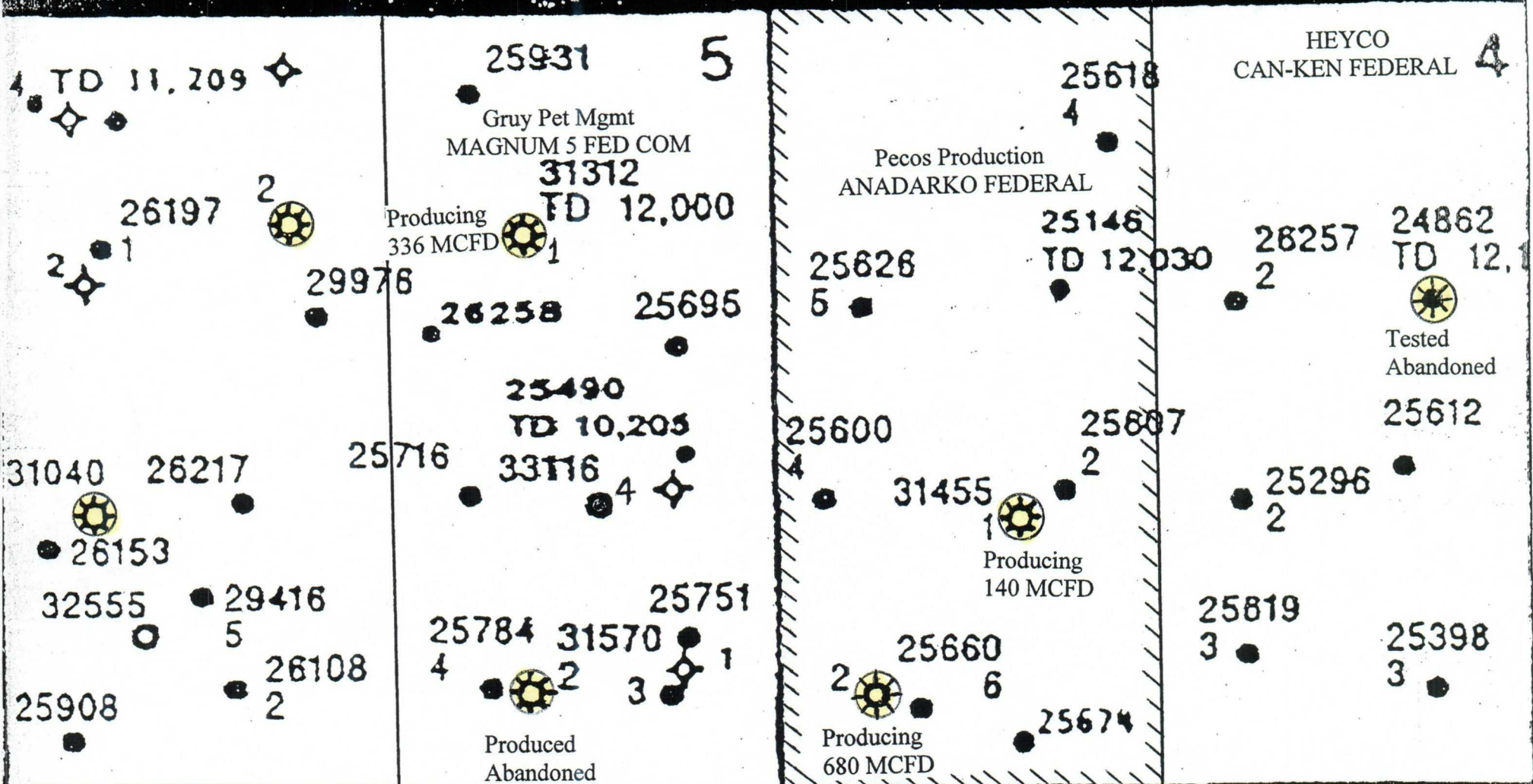
VP – Engr & Operations

attachments

Lease Name: ANADARKO FEDERAL
County, State: EDDY, NM
Operator: PECOS PRODUCTION COMPANY
Field: CEDAR LAKE EAST
Reservoir: MORROW
Location: 4 18S 31E SW NE SW

ANADARKO FEDERAL - CEDAR LAKE EAST





WAIVER

TO WHOM IT MAY CONCERN,

MEWBOURNE OIL COMPANY hereby waives objection to the application of Pecos Production Company for exception to NMAC 19.153.104, to simultaneously dedicate and produce the Anadarko Federal Nos 1 & 2 wells located in SW/4 Sec 4, T-18S, R-31E, Eddy Co, New Mexico, from the Shugart, North (Morrow) field.

Signed Bruce Insalaco

Date 12/27/04

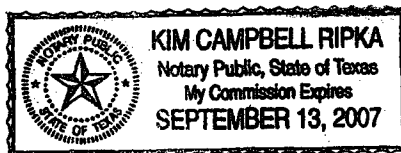
Title Manager of Exploration

AFFIDAVIT

Signed before me this 27th day of December, 2004, in ... Smith
county, Texas.

Notary Kim Campbell Ripka

My Commission Expires 9/13/2007



WAIVER

TO WHOM IT MAY CONCERN,

HARVEY E. YATES COMPANY hereby waives objection to the application of Pecos Production Company for exception to NMAC 19.15.3.104, to simultaneously dedicate and produce the Anadarko Federal Nos 1 & 2 wells located in SW/4 Sec 4, T-18S, R-31E, Eddy Co, New Mexico, from the Shugart, North (Morrow) field.

Vernon D. Dyer
Signed

Date December 27, 2004

Vernon D. Dyer, Land Manager
Title

AFFIDAVIT

Signed before me this 27th day of December, 2004, in Chaves county, New Mexico.

Glenn L. Marshall
Notary

My Commission Expires 12/03/08

WAIVER

TO WHOM IT MAY CONCERN,

GRUY PETROLEUM MANAGEMENT hereby waives objection to the application of Pecos Production Company for exception to NMAC 19.15.3.104, to simultaneously dedicate and produce the Anadarko Federal Nos 1 & 2 wells located in SW/4 Sec 4, T-18S, R-31E, Eddy Co, New Mexico, from the Shugart, North (Morrow) field.

Paul W. Ray
Signed

Date 12/21/04

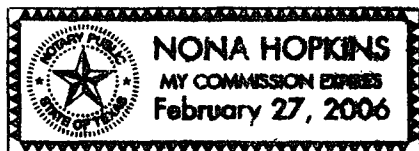
Permit Operations Manager
Title

AFFIDAVIT

Signed before me this 21st day of December, 2004, in Midland county, Texas.

Nona Hopkins
Notary

My Commission Expires _____



Sec : 04 Twp : 18S Rng : 31E Section Type : NORMAL

| | | | |
|------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| 4 40.04 Federal owned | 3 40.04 Federal owned A | 2 40.04 Federal owned | 1 40.04 Federal owned |
| E 40.00 Federal owned A | F 40.00 Federal owned A | G 40.00 Federal owned A | H 40.00 Federal owned A |
| L 40.00 Federal owned A | K 40.00 Federal owned A A | J 40.00 Federal owned A | I 40.00 Federal owned A |
| M 40.00 Federal owned A A | N 40.00 Federal owned A | O 40.00 Federal owned A | P 40.00 Federal owned A |