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MODRALL SPERLING

L A W Y E R S

August 1, 2018

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Via E-Mail and U.S. Mail

Florene Davidson
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 163⁸²₇₉

**Re: APPLICATION OF READ & STEVENS, INC. FOR A
HORIZONTAL SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Dear Florene:

Enclosed please find three copies of the following:

1. Read & Stevens, Inc.'s Application - North Lea 3 Federal Com #2H

Thank you for your assistance. Please contact me if you have any questions.

Sincerely,

Earl E. DeBrine, Jr.

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Enclosures

cc (via e-mail only): Leonard Lowe
William V. Jones
Phil Goetz
Jennifer L. Bradfute

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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**APPLICATION OF READ &
STEVENS, INC. FOR A
HORIZONTAL SPACING AND
PRORATION UNIT AND
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16382

APPLICATION

Read & Stevens, Inc. ("Read & Stevens"), OGRID Number 18917, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) creating a 320-acre, more or less, horizontal spacing unit and proration unit covering the W/2E/2 of Section 3, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this spacing and proration unit. In support of this application, Read & Stevens states as follows:

1. Read & Stevens is an interest owner in the subject lands and has a right to drill a well thereon.
2. Read & Stevens seeks to dedicate the W/2E/2 of Section 3, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico to the proposed well to form a 320-acre, more or less, horizontal oil spacing and proration unit.
3. Read & Stevens plans to drill the **North Lea 3 Federal Com #2H** well to a depth sufficient to test the Bone Spring formation.
4. The well that Read & Stevens seeks to drill will comply with the setback requirements established under the Division's rules.

5. Read & Stevens sought, but has been unable to obtain a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed unit to participate in the drilling of the well or to otherwise commit their interests to the well.

6. The pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Read & Stevens requests this application be set for hearing before an Examiner of the Oil Conservation Division on October 4, 2018, and after notice and hearing as required by law, the Division enter its order:

A. Creating a spacing and proration unit in the Bone Spring formation comprised of the W/2E/2 of Section 3, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico.;

B. Pooling all mineral interests in the Bone Spring formation underlying this spacing and proration unit;

C. Designating Read & Stevens as operator of this unit and the wells to be drilled thereon;

D. Authorizing Read & Stevens to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: 

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Attorneys for Applicant

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CASE NO. 16382 Application of Read & Stevens, Inc. for a horizontal spacing unit and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a 320-acre, more or less, horizontal spacing and proration unit covering the W/2E/2 of Section 3, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed spacing and proration unit. This proposed spacing and proration unit will be the unit for the North Lea 3 Federal Com #2H well, being horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Read & Stevens as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 25 miles west of Hobbs, New Mexico.

AUG 02 2018 AM 07:45