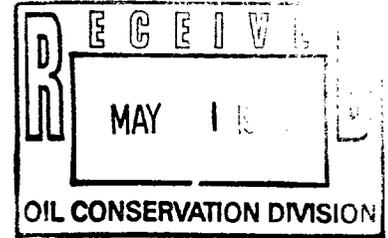


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:



CASE NO. 11514
ORDER NO. _____

**APPLICATION OF READ & STEVENS, INC., FOR AN UNORTHODOX INFILL
GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, CHAVES
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1996 at Santa Fe, New Mexico, before Examiner David Catanach.

NOW, on this ____ day of _____, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Read & Stevens, Inc. seeks authority to drill an unorthodox infill well at a location 990 feet from the South line and 1980 feet from the West line (Unit N) of Section 26, Township 21 South, Range 27 East, NMPM, Chaves County, New Mexico. Further, the applicant proposes to simultaneously dedicate the existing standard 320-acre gas spacing and proration unit comprised of the S/2 of said Section 26 to the subject well and the applicant's Harris Federal Well No. 4, located at a standard gas

well location 990 feet from the South line and 990 feet from the East line (Unit F) of said Section 26.

(3) UMC Petroleum Corporation, an offset operator, appeared at the hearing and presented evidence in opposition to the application.

(4) Matador Petroleum Company, an offset operator, appeared at the hearing in support of the application.

(5) The Buffalo Valley - Pennsylvanian Pool is a prorated gas pool governed by the General Rules and Regulations for the Prorated Gas Pools of New Mexico, as promulgated by Division Order No. R-8170, as amended. Further said order contains special provisions for said pool (Special Rules and Regulations for the Buffalo Valley - Pennsylvania Oil Pool) that includes 320-acre spacing and for all well locations to be no closer than 660 feet from the side boundary nor closer than 1650 to the nearest end boundary of the proration unit nor closer than 330 feet from any governmental quarter-quarter section or subdivision inner boundary and that the wells be located in the NW/4 and SE/4.

(6) Directly offsetting the said 320-acre gas spacing and proration unit to the South in Section 35, to the Southwest in Section 34, and in Section 36 to the Southeast is the non-prorated Diamond Mound Morrow Gas Pool which is governed under the spacing provisions of the Division's General Rules and Regulations [104.C(2)(b)] which provides for 320-acre drilling tracts and for all well locations to be no closer than 660 feet from the side boundary nor closer than 1650 feet to the nearest end boundary of the spacing unit. This pool is not prorated.

(7) The geological evidence presented by the parties at the hearing was in general agreement that:

(a) The two pools constitute a common source of supply lying in a north-south trend which ran through Sections 26 and 35.

(b) The thicker sands in the trend were encountered by the Read & Stevens, Inc. Federal Well No. 8 and the UNMC Petroleum Corporation White State No. 2 well both located in the W/2 of Sections 26 and 35, respectively.

(8) The existing Harris Federal Well No. 4 dedicated to the S/2 of Section 26 was drilled to completion in the Buffalo Valley - Pennsylvanian Gas Pool in the SE/4 of Section 26 and is currently producing at a rate of approximately 27 MCF of gas per day.

(9) The production histories and estimated ultimate recoveries of the wells along the trend matched their respective location to thickness and quality of the sands as is evidenced by the wells in Section 26, 34 and 35. The parties submitted the following data with respect to such wells:

(a) Read & Stevens Harris Federal Well No. 8
(1650 FNL and 1650 FWL of Section 26)

Estimated Ultimate Recovery - - 9.3 BCF
Drainage Area - - 347 Acres
Cumulative Production - - 5.46 BCF thru 12/95
Completion Date - - 8/31/1982

(b) Read & Stevens Harris Federal Well No. 4
(990 FSL and 990 FEL of Section 26)

Estimated Ultimate Recovery - - 0.6 BCF
Drainage Area - - 84 Acres
Cumulative Production - - 584 MMCFG thru 12/95
Completion Date - - 11/30/1981

(c) UMC Petroleum Corp. White State Well No. 2
(1980 FNL and 1980 FWL of Section 35)

Estimated Ultimate Recovery - - 6.9 BCF
Drainage Area - - 404-Acres

Cumulative Production - - 5.42 BCF
Completion Date - - 8/18/1981

- (d) UMC Petroleum Corp. White State Well No. 1
(660 FSL and 1980 FEL of Section 35)

Estimated Ultimate Recovery - - 3.61 BCF
Cumulative Production - - 3.61 BCF
Completion Date - - 8/11/1980

- (e) Read & Stevens Harris Federal Well No. 7
(650 FNL and 1980 FEL of Section 34)

Estimated Ultimate Recovery - - 1 BCF
Drainage Area - - 62 Acres
Cumulative Production - - 612 MMCF
Completion Date - - 7/23/1982

(10) The Read & Stevens Harris Federal Well No. 4, due to its relatively poor location with respect to sand thickness and quality has not effectively and efficiently drained the proration unit comprised of the S/2 of Section 26.

(11) The technical evidence presented by the applicant demonstrates that by drilling the proposed well in the S/2 of said Section 26 at the unorthodox location gas will result in production that might otherwise be left behind, is geologically justified, demonstrates good conservation practices, gains no competitive advantage on the adjoining oil and gas leases being operated on 320-acre spacing, and will enable applicant to recover its just and equitable share of the gas reserves.

(12) Applicant requested that no production penalty be imposed on the proposed well and that to protect its correlative rights, it should be permitted to produce the monthly allowable of 33,000 MCF assigned the subject 320-acre unit from both the existing Harris Federal Well No. 4 and the proposed unorthodox infill well in any proportion.

(13) Approval of the proposed and unorthodox location, and simultaneous dedication will afford the applicant the opportunity to recover its just and equitable share of the gas in the Buffalo Valley Pennsylvanian Gas Pool underlying the S/2 of Section 26, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Read & Stevens, Inc., is hereby authorized to drill its proposed infill well at a location 990 feet from the South line and 1980 feet from the West line (Unit N) of Section 26, Township 19 South, Range 30 East, Buffalo Valley - Pennsylvanian Gas Pool.

(2) The S/2 of Section 26, being a standard 320-acre gas spacing and proration unit in said pool, shall be simultaneously dedicated to the proposed infill well and the applicant's Harris Federal Well No. 4 located 990 feet from the South line and 990 feet from the East line (Unit F) of said Section 26. Furthermore, the operator of the subject 320-acre unit is hereby permitted to produce the assigned allowable from both wells in any proportion.

Jurisdiction of this cause is hereby 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.

State of New Mexico
Oil Conservation Division

William J. LeMay
Director