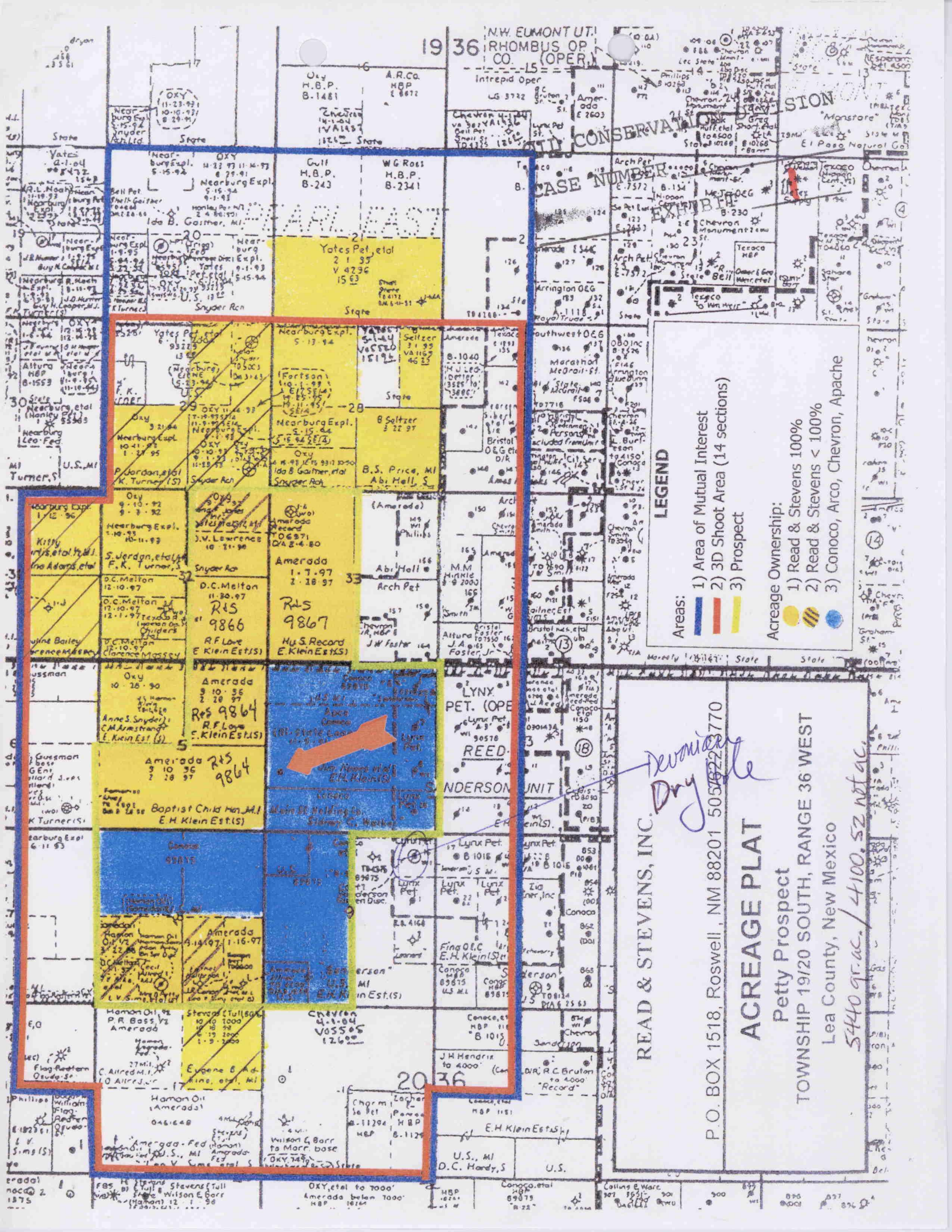




19 36 N.W. ELMONT UT. RHOMBUS OR CO. (OPER)

CONSERVATION

CASE NUMBER

LEGEND

- Areas:
- 1) Area of Mutual Interest
 - 2) 3D Shoot Area (14 sections)
 - 3) Prospect

Acreage Ownership:

- 1) Read & Stevens 100%
- 2) Read & Stevens < 100%
- 3) Conoco, Arco, Chevron, Apache

READ & STEVENS, INC.

P.O. BOX 1518, Roswell, NM 88201 505 922 3770

ACREAGE PLAT

Petty Prospect
TOWNSHIP 19/20 SOUTH, RANGE 36 WEST
Lea County, New Mexico

5440 gr.ac. / 4100.52 net ac.

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. 12,815
	)	(Reopened)
IN THE MATTER OF CASE NUMBER 12,815	)	
BEING REOPENED PURSUANT TO THE	)	
PROVISIONS OF DIVISION ORDER NUMBER	)	
R-11,771, WHICH ORDER PROMULGATED	)	
TEMPORARY SPECIAL POOL RULES FOR THE	)	
NORTH OSUNA-DEVONIAN POOL IN LEA COUNTY,	)	
NEW MEXICO, INCLUDING PROVISIONS FOR	)	
160-ACRE SPACING UNITS AND DESIGNATED	)	
WELL LOCATIONS	)	
	)	

OFFICIAL EXHIBIT FILE

EXAMINER HEARING

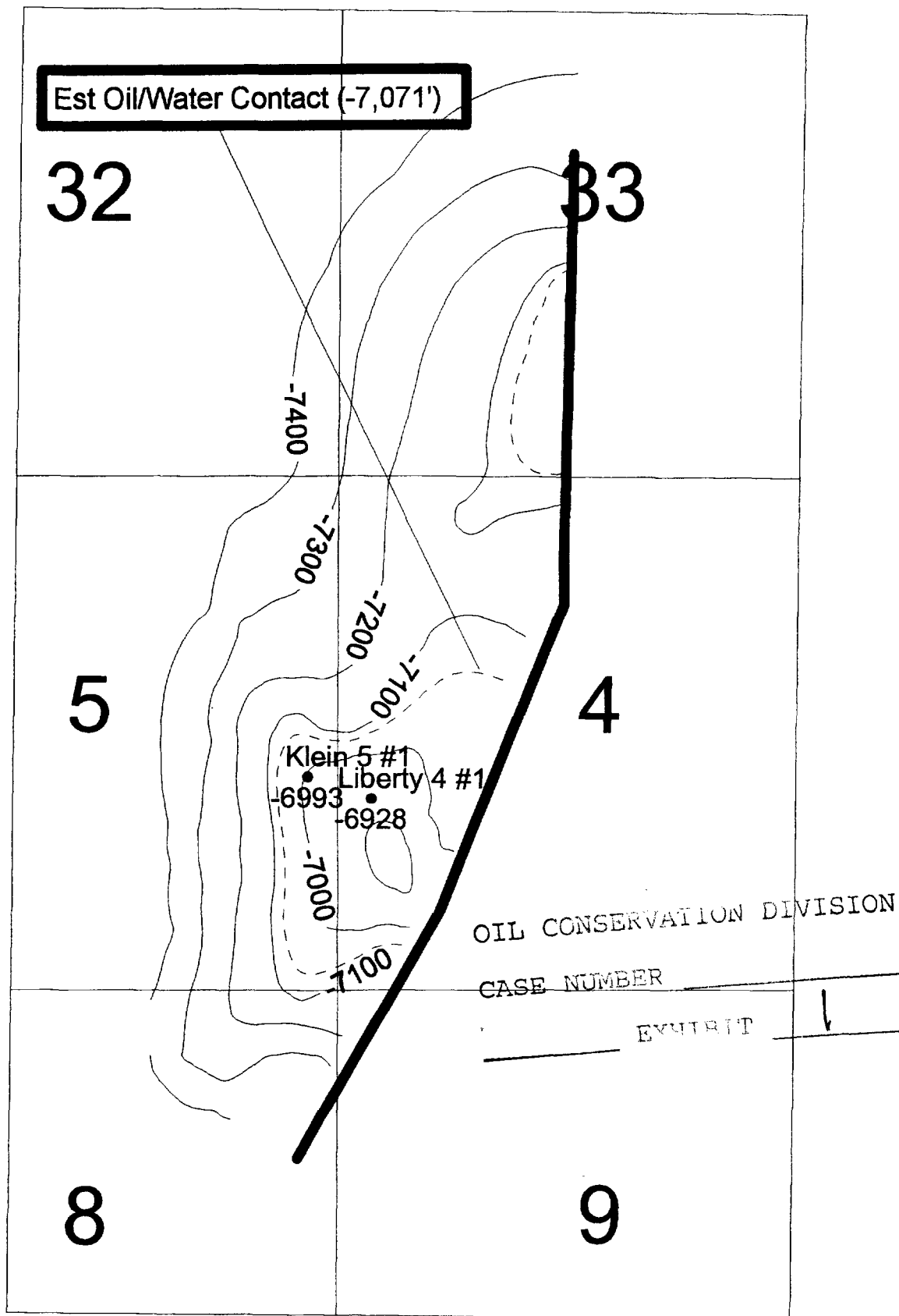
BEFORE: DAVID R. CATANACH, Hearing Examiner

July 10th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 10th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *



Read & Stevens, Inc.
Liberty 4 #1 Devonian Disc
T19S & 20S, R36E Lea Co., NM
Dated 7/3/03 - By: JCM

Devonian Structure Map
based upon 3D seismic
contour Interval = 50'

Liberty "4" Fed. Com. #1

FIELD: Wildcat

COUNTY: Lea STATE: New Mexico

Schlumberger

PLATFORM EXPRESS
Three Detector Litho Density
Compensated Neutron/NGT

1800 FSL & 330 FWL Section A, Township 20-S, Range 39-E		Elev.: K.B. 3940 R G.L. 3929 R D.F. 3940 R
Permanent Datum: GROUND LEVEL		Elev.: 3929 R
Log Measured From: KELLY BUSHING		20.0 R above Perm. Datum
Drilling Measured From: KELLY BUSHING		
API Serial No. 30-025-33371	SECTION 4	TOWNSHIP 20-S RANGE 39-E
Logging Date 14-JUL-2001 Run Number 3 Depth Driller 13930 ft Schlumberger Depth 13930 ft Bottom Log Interval 13930 ft Top Log Interval 3100 ft Casing Driller Size @ Depth 2612 ft @ 3510 ft Casing Schlumberger 2612 ft Bit Size 8.630 in Type Fluid In Hole BRINE/200 Density 9.3 lbm/gal 44 s Fluid Loss 16 cm3 9.5 Source Of Sample Circulation PR RM @ Measured Temperature 0.064 ohm.cm @ 106 degF RMF @ Measured Temperature 0.048 ohm.cm @ 106 degF RMG @ Measured Temperature @ Source RMF RMG Calculated RM @ MRT RMF @ MRT 0.043 @ 113 0.032 @ 113 Maximum Recorded Temperature 163 degF Circulation Stopped Time 9-JUN-2001 14:00 Logger On Bottom Time 14-JUL-2001 09:40 Unit Number Location 3112 Hobbs, New Mexico Recorded By O.J. Jarama Witnessed By Mr. Bud Thomas		

COMPANY: Read & Stevens, Inc.

WELL: Liberty "4" Fed. Com. #1

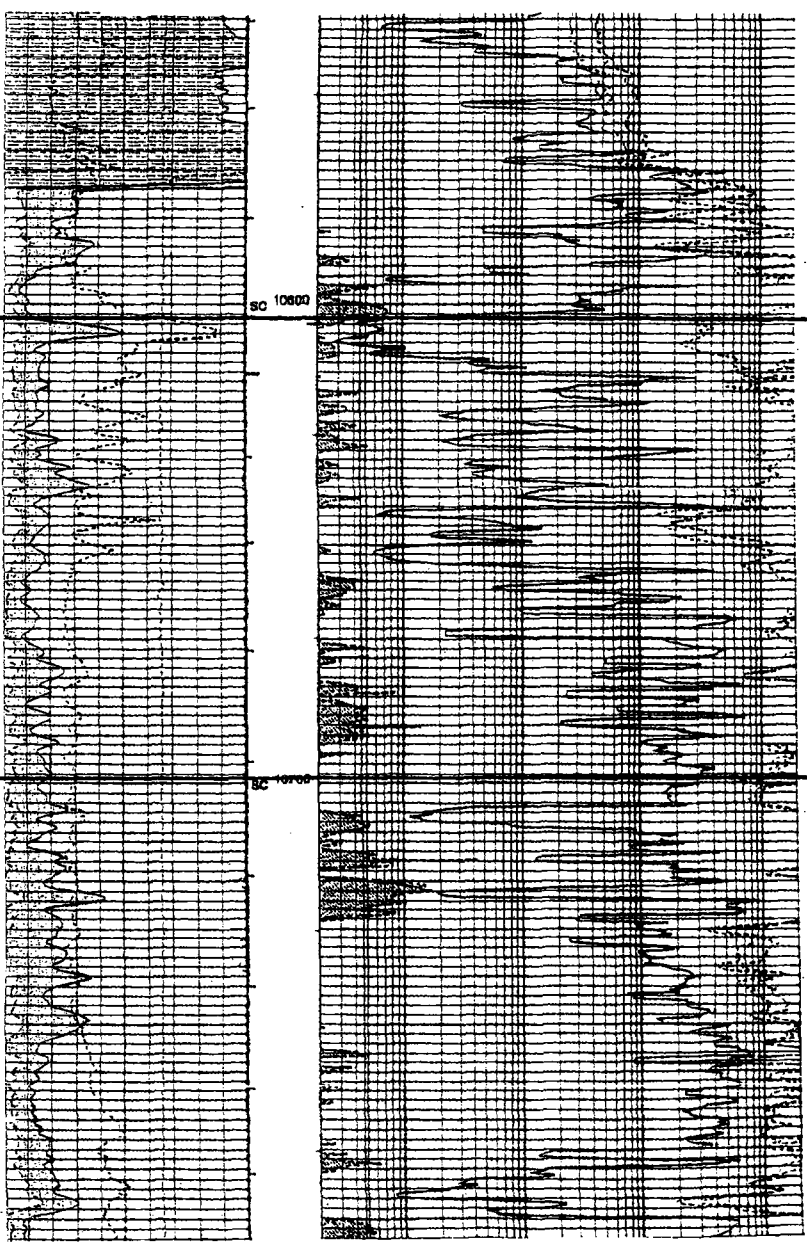
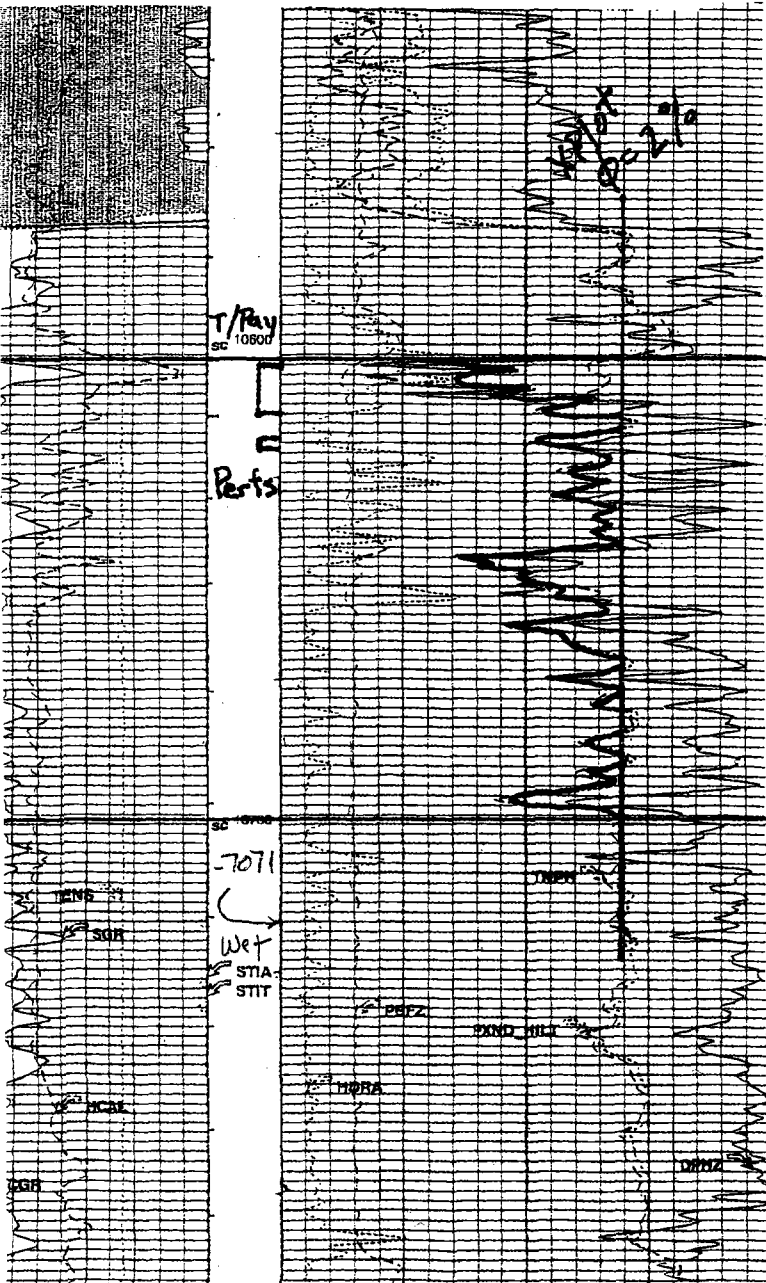
FIELD: Wildcat

COUNTY: Lea STATE: New Mexico

Schlumberger

PLATFORM EXPRESS/ARRAY
INDUCTION/DUAL AND
AZIMUTHAL LATEROLOG/MIC
FINAL COMPOSITE

1800 FSL & 330 FWL Section A, Township 20-S, Range 39-E		Elev.: K.B. 3940 R G.L. 3929 R D.F. 3940 R
Permanent Datum: GROUND LEVEL		Elev.: 3929 R
Log Measured From: KELLY BUSHING		20.0 R above Perm. Datum
Drilling Measured From: KELLY BUSHING		
API Serial No. 30-025-33371	SECTION 4	TOWNSHIP 20-S RANGE 39-E
Logging Date 19-MAY-2001 Run Number 2 Depth Driller 4890 ft Schlumberger Depth 4890 ft Bottom Log Interval 4890 ft Top Log Interval 4890 ft Casing Driller Size @ Depth 20.000 in @ 408 ft 15.125 in @ 4 Casing Schlumberger 408 ft Bit Size 17.500 in 12.250 in Type Fluid In Hole SHIM Density 10.8 lbm/gal 31 s Fluid Loss 30 cm3 11 Source Of Sample Circulation PR RM @ Measured Temperature 0.040 ohm.cm @ 96 degF RMF @ Measured Temperature 0.040 ohm.cm @ 96 degF RMG @ Measured Temperature @ Source RMF RMG Calculated RM @ MRT RMF @ MRT 0.039 @ 113 0.026 @ 113 Maximum Recorded Temperature 173 degF Circulation Stopped Time 19-MAY-2001 14:00 Logger On Bottom Time 19-MAY-2001 10:30 Unit Number Location 3125 Hobbs, New Mexico Recorded By Redford Maderredo, Jose Ortiz Witnessed By Mr. Bud Thomas		



WELL: Klein 5 #1

FIELD: Wilcoat

COUNTY: Lea STATE: New Mexico

Schlumberger

PLATFORM EXPRESS/
DENSITY/NEUTRON
FINAL COMPOSITE

2020' FSL & 330' FEL
Elev.: K.B. 3640 R
G.L. 3632 R
O.F. 3646 R
Permanent Datum: Ground Level Elev.: 3632 R
Log Measured From: Kelly Bushing 17.0 R above Perm. Datum
Drilling Measured From: Kelly Bushing

API Serial No. N/A SECTION 5 TOWNSHIP 20S RANGE 38E

COUNTY: Eddy

Field: Wilcoat

Location: 2020' FSL & 330' FEL

Well: Klein 5 #1

Company: Read & Stevens, Inc

LOCATION

Logging Date	10-MAR-2002	16-APR-2002
Run Number	One	Two
Depth Driller	4595 ft	10925 ft
Schlumberger Depth	4545 ft	10885 ft
Bottom Log Interval	4595 ft	10915 ft
Top Log Interval	200 ft	4597 ft
Casing Driller Size @ Depth	13.375 in @ 408 ft	8.625 in @ 4
Casing Schlumberger	458 ft	4597 ft
SR Size	11.000 in	7.875 in
Type Fluid in Hole	Brine / Starch / Gel	Brine / Starch / Gel
Density	10.1 Barrels 29 s	8.4 Barrels 29 s
Fluid Loss	PH 11	9 ccs 11
Source Of Sample	Circulation Tank	Circulation Tank
RM @ Measured Temperature	0.025 c/cm @ 70 degF	0.025 c/cm @ 98
RMF @ Measured Temperature	0.020 c/cm @ 70 degF	0.020 c/cm @ 70
RMC @ Measured Temperature	@	@
Source RMF	Measured	Measured
RM @ MRT	0.048 @ 99 0.401 @ 99	0.042 @ 130 0.032 @
Maximum Recorded Temperature	89 degF	127 degF 130
Circulation Stopped	Time 9-MAR-2002 7:00	16-APR-2002 7:00
Logger On Bottom	Time 10-MAR-2002 13:00	17-APR-2002 13:00
Unit Number	Location 3178 Roswell	3178 Roswell
Recorded By	Heavy Andrea Olarte	Adam Hill
Witnessed By	Bill Bradshaw	Bill Bradshaw

WELL: Klein 5 #1

FIELD: Wilcoat

COUNTY: Lea STATE: New Mexico

Schlumberger

PLATFORM EXPRESS/
AZIMUTHAL LATEROLOG/
MCFL/NGT
FINAL COMPOSITE

2020' FSL & 330' FEL
Elev.: K.B. 3640 R
G.L. 3632 R
O.F. 3646 R
Permanent Datum: Ground Level Elev.: 3632 R
Log Measured From: Kelly Bushing 17.0 ft above Perm. Datum
Drilling Measured From: Kelly Bushing

API Serial No. N/A SECTION 5 TOWNSHIP 20S RANGE 38E

COUNTY: Eddy

Field: Wilcoat

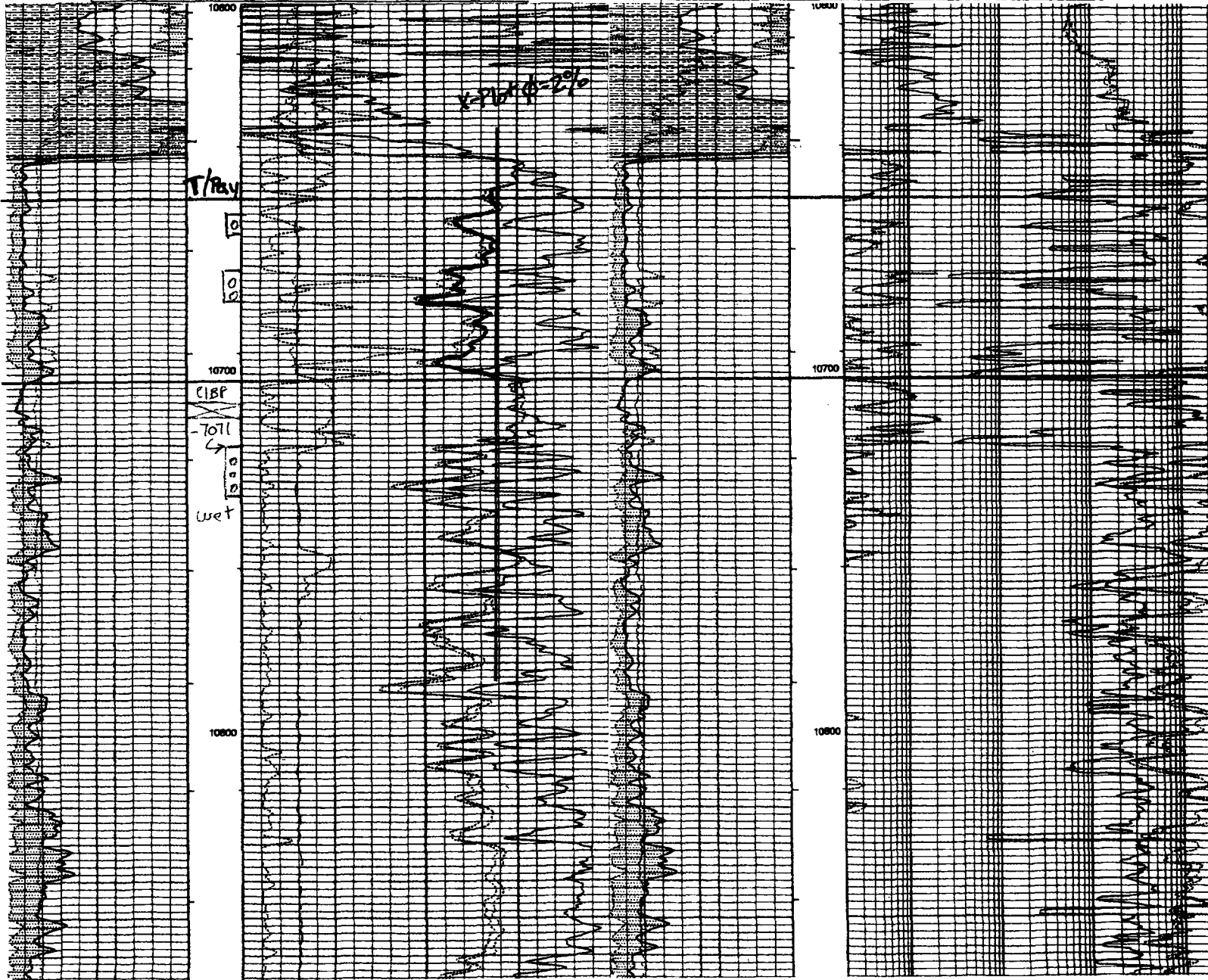
Location: 2020' FSL & 330' FEL

Well: Klein 5 #1

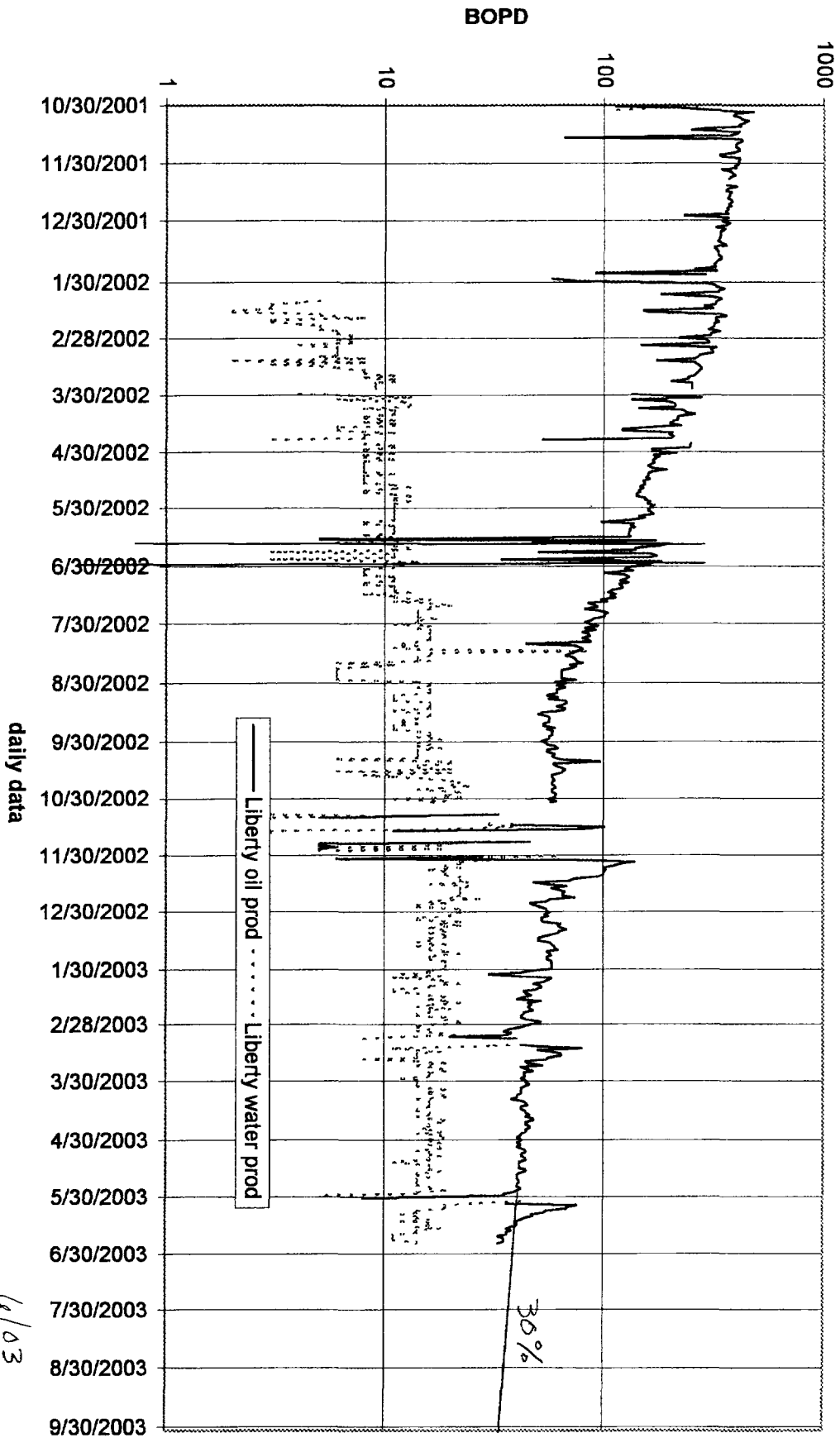
Company: Read & Stevens, Inc

LOCATION

Logging Date	10-MAR-2002	16-APR-2002
Run Number	One	Two
Depth Driller	4595 ft	10925 ft
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Fluid Loss	PH 11	9 ccs 11
Source Of Sample	Circulation Tank	Circulation Tank
RM @ Measured Temperature	0.025 c/cm @ 70 degF	0.025 c/cm @ 98
RMF @ Measured Temperature	0.020 c/cm @ 70 degF	0.020 c/cm @ 70
RMC @ Measured Temperature	@	@
Source RMF	Measured	Measured
RM @ MRT	0.048 @ 99 0.401 @ 99	0.042 @ 130 0.032 @
Maximum Recorded Temperature	89 degF	127 degF 130
Circulation Stopped	Time 9-MAR-2002 7:00	16-APR-2002 7:00
Logger On Bottom	Time 10-MAR-2002 13:00	17-APR-2002 13:00
Unit Number	Location 3178 Roswell	3178 Roswell
Recorded By	Heavy Andrea Olarte	Adam Hill
Witnessed By	Bill Bradshaw	Bill Bradshaw



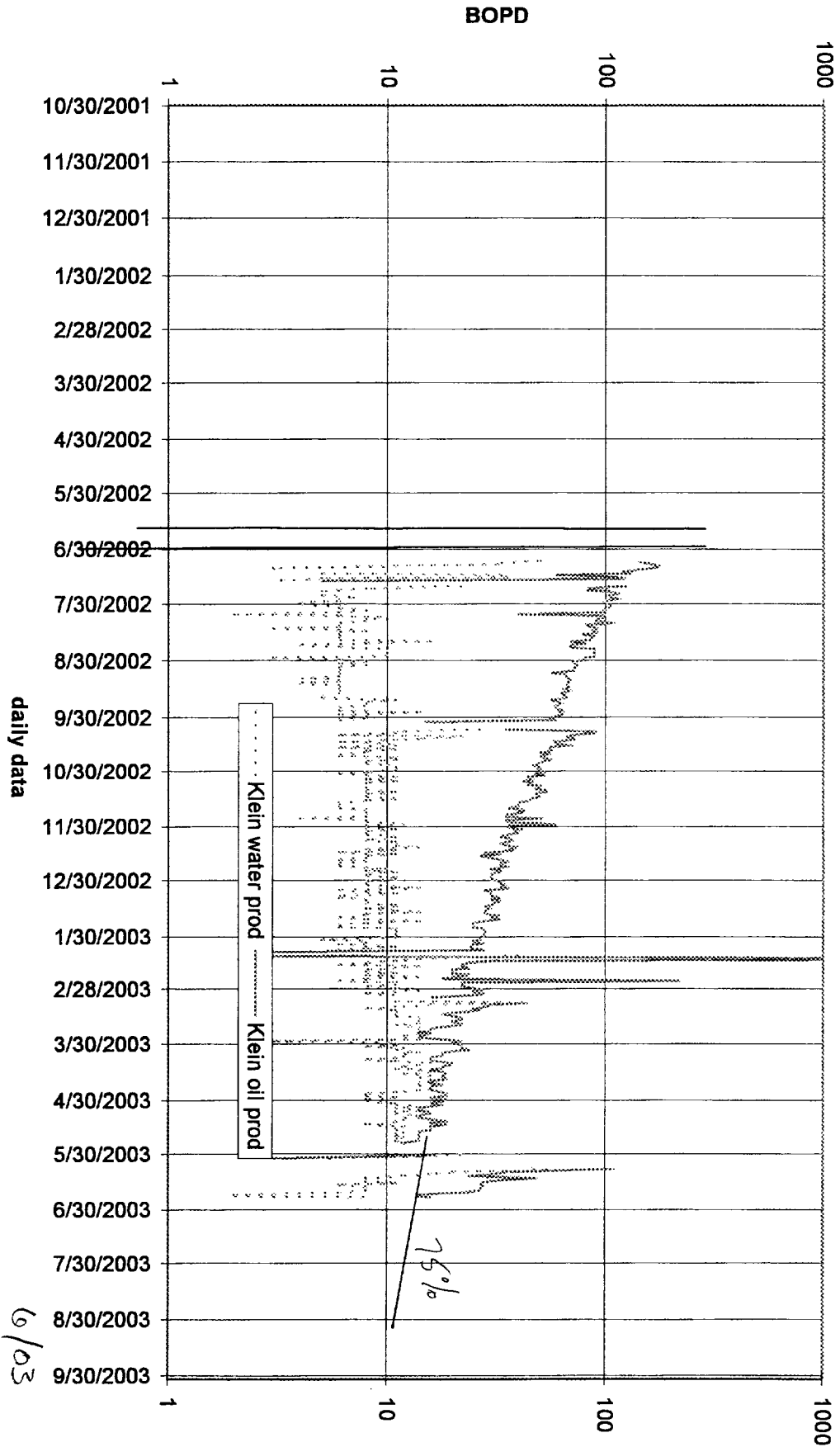
Read & Stevens 1 Liberty 4 & 1 Klein 5, Lea Co., NM



Cum 82,267 Bo
 Ann 40,900 Bo
 123,167 Bo

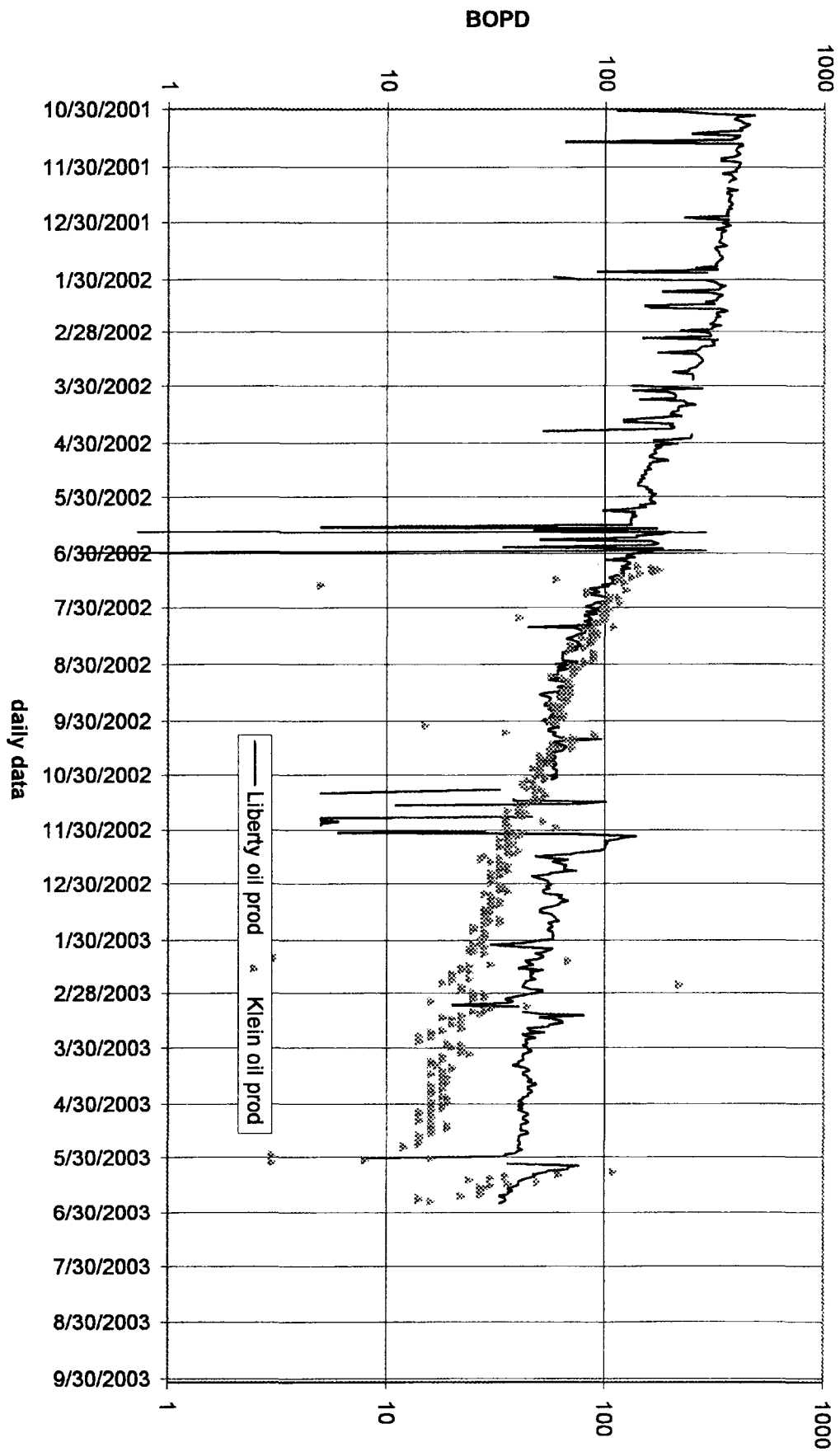
6/03

Read & Stevens 1 Liberty 4 & 1 Klein 5, Lea Co., NM



6/03
Cum 40,276 Bo
Now 4,200 Bo
147 44,476 Bo

Read & Stevens 1 Liberty 4 & 1 Klein 5, Lea Co., NM



Liberty 4 #1 & Klein 5 #1 Devonian
Sec 4 & 5, 20S 36E, Sec 33 19S 36E
Lea Co., NM
By: JCM 7/7/2003

Date of Discovery	October 28, 2001
Number of Producing Wells	2
Cum Oil Production (production through June 2003)	122,600 bbl
Cum Gas Production (Not complete, gas now TSTM and not metered)	5,220 Mcf
Cum Water Production	10,600 bbl
GOR Initial	43 cu ft/bbl
Current Oil Rate	56 BOPD
Current Gas Rate	TSTM MCFD
Current Water Rate	52 BWPD
Avg Water Cut (cum)	8.0 %
Drive Mechanism	Expansion Drive

Area of Oil Column above o/w contact at (-7,071)	104 acres
Amount of Closure above o/w contact	185 feet
Avg thickness of net pay across field	64.5 feet
Average Porosity (xplot from log)	6.0 %
Average Water Saturation (from log calc)	35 %
Formation Volume Factor (Standing correlation)	1.124 res bbl/bbl
Soln GOR (est)	158 cu ft/bbl
Oil Gravity @ 60°F	47.0
Bubble Point Pressure (Standing correlation)	391 psi
Permeability from DST #7 (Ko)	16.3 md
BHP(initial @ midpoint of pay)	4,244 psi
Press Gradient (midpoint of pay (10,650'))	0.398 psi/ft

Calculated Original Oil in Place	1,802,833 bbl
Calculated Original Oil in Place	270.9 bbl/acre-ft
Recovery Factor (estimate)	10.00 %
Recoverable Reserves (ultimate)	180,283 bbl
Recoverable Reserves (ultimate)	27.1 bbl/acre-ft

Comments: Liberty Well Devonian DST 10,590' - 10,651' (upper 1/2 of Devonian pay). 15 min IFP 501-650, 60 min ISIP 4,249, 120 min FFP 889 - 1,515, 240 min **FSIP 4,240**. Rec 3,438' HGCO. Treated in tank to 15.3 BO. Perf 10,604 - 614' & 10,619 - 621' (12' perfs, 17' overall). Acidize w/ 500 gal 15% NEFe. IPP 482 BOPD, Gas TSTM, 0 BWPD.

Klein Well Devonian DST (4/11/02) 10,638' - 10,696' (entire oil column). 10 min IFP 74 - 110, 60 min ISIP 2,751, 90 min FFP 112 - 223, 240 **FSIP 2,768**. Rec 500' G, 0.8 bbl OCM & 1.4 bbl OCW (black in color). Perf 10,656 - 10,661 & 10,671 - 10,680' (14' perfs, 24' overall). Acidize w/ 500 gal 15% NEFe. IPP 178 BOPD, Gas 30 - 40 mcf, 5 BWPD.

The Klein well was DST'd after the Liberty well had produced 49,900 BO. The BHP had declined from 4,240 psi in the Liberty, to 2,768 psi in the Klein. A reduction of 35%.

The distance from the Klein to the Liberty is 700'. This is equivalent to a 35 acre circular drainage pattern, or a 45 acre square drainage pattern.

Drilling/Recomplete AFE

Well Name: Klein 5 #1	Well Type: Oil
Date Prepared: 2/4/2002	Location: SE/4 Sec 5 T20S R36E
Prospect:	Co/St: Lea/NM
Begin Date:	TD: 10,900'
Purpose: D & C Devonian	Prepared By: JCM

<i>Intangibles</i>	<i>Code</i>	<i>Drill</i>	<i>Code</i>	<i>Comp</i>	<i>Total</i>
Loc Prep & Dmge (Including Conductor)	203	\$35,000	303	\$1,500	\$36,500
Drig Footage	206	\$293,500	306		\$293,500
Drig Day	209	\$40,000	309	\$16,000	\$56,000
Bits/Reamers	212	\$7,500	312		\$7,500
Mud/Chem	215	\$55,000	315		\$55,000
Water (including transportation)	218	\$15,000	318	\$2,500	\$17,500
Eq Rentals (surface & downhole)	221	\$45,000	321	\$13,000	\$58,000
Elec Logs/Wireline	224	\$55,000	324	\$6,500	\$61,500
Core/Test (3 DST, 250' Full Diam Core)	227	\$52,500	327		\$52,500
Mud Log	230	\$17,500	330		\$17,500
Haul/Freight	233	\$1,000	333	\$1,000	\$2,000
Supervision	236	\$20,000	336	\$4,000	\$24,000
Cmt & Serv	239	\$33,000	339	\$35,000	\$68,000
Perforate	242		342	\$4,500	\$4,500
Acidize	245		345	\$7,500	\$7,500
Frac	269		369		
Completion Unit	248		348	\$13,300	\$13,300
Contract Serv (inspection, battery install, etc)	251	\$15,000	351	\$14,000	\$29,000
Overhead	257	\$7,000	357	\$3,500	\$10,500
Contingency (Directional 4 days)	263	\$30,000	363		\$30,000

Total Intangibles		\$722,000		\$122,300	\$844,300
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<i>Tangibles</i>	<i>Code</i>	<i>Drill</i>	<i>Code</i>	<i>Comp</i>	<i>Total</i>
Casing:					
Surf 400' of 13 3/8"	403	\$7,100			\$7,100
Prot 5,200' of 8 5/8"		\$59,800			\$59,800
Prod 10,800' of 5 1/2"	406			\$85,800	\$85,800
			503		
	416				
Tubing			509	\$37,100	\$37,100
Rods			512	\$20,000	\$20,000
Wellhead	415	\$7,500	515	\$2,500	\$10,000
Subsurf Eq (Liner hangers, prod eq, etc)	418		518	\$8,500	\$8,500
Surf Eq	421		521	\$2,000	\$2,000
Flowline			524	\$2,000	\$2,000
Pump Eq			527	\$45,000	\$45,000
Tankage			530	\$15,000	\$15,000
Separator			533		
Dehydrator			536		
Heater-treater			539	\$7,500	\$7,500
Misc Fittings			540	\$2,500	\$2,500
Compressor			541		
Other Tang	442		542		
Contingency			563		

Total Tangibles		\$74,400		\$227,900	\$302,300
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Total AFE		\$796,400		\$350,200	\$1,146,600
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UNECONOMIC WELL
No: 000001
Location: SEC 4 20S 34E
County: LEA State: NM

DATE : 02/14/02
TIME : 16:16:51
DBS FILE : READOPER
SETUP FILE : NLEA
SEQ NUMBER : 285

R E S E R V E S A N D E C O N O M I C S

EFFECTIVE DATE: 3/02

-END- MO-YR	GROSS OIL PRODUCTION ---MMBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MMBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-02	21.908	3.337	16.431	2.503	20.170	2.521	331.419	6.311	337.730
12-03	28.718	4.544	21.538	3.408	20.669	2.584	445.170	8.805	453.975
12-04	24.410	4.036	18.308	3.027	21.289	2.661	389.747	8.056	397.802
12-05	20.749	3.578	15.561	2.684	21.928	2.741	341.223	7.356	348.580
12-06	17.636	3.167	13.227	2.375	22.585	2.823	298.741	6.707	305.447
12-07	14.991	2.799	11.243	2.099	23.263	2.908	261.548	6.104	267.652
12-08	12.742	2.470	9.557	1.852	23.961	2.995	228.985	5.548	234.533
12-09	10.831	2.176	8.123	1.632	24.680	3.085	200.476	5.036	205.512
12-10	9.206	1.915	6.905	1.437	25.420	3.178	175.517	4.565	180.082
12-11	7.825	1.684	5.869	1.263	26.183	3.273	153.665	4.134	157.799

12-12	5.617	1.245	4.212	.934	26.905	3.363	113.335	3.142	116.477
12-13									
12-14									
12-15									
12-16									
S TOT	174.633	30.952	130.975	23.214	22.446	2.833	2939.825	65.764	3005.589
AFTER	.000	.000	.000	.000	.000	.000	.000	.000	.000
TOTAL	174.633	30.952	130.975	23.214	22.446	2.833	2939.825	65.764	3005.589

-END- MO-YR	WINDFALL PROFIT TAX ---M\$---	NET ADVAL & PROD. TAXES ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	10.0% CUM DISC CF ---M\$---
12-02	.000	27.018	20.921	.000	.000	1146.600	-856.810	-856.810	-870.890
12-03	.000	36.318	35.108	.000	.000	.000	382.549	-474.261	-535.948
12-04	.000	31.824	40.147	.000	.000	.000	325.831	-148.429	-277.810
12-05	.000	27.886	45.909	.000	.000	.000	274.784	126.355	-80.827
12-06	.000	24.436	52.498	.000	.000	.000	228.513	354.868	67.399
12-07	.000	21.412	60.033	.000	.000	.000	186.207	541.075	176.690
12-08	.000	18.763	68.650	.000	.000	.000	147.121	688.196	254.824
12-09	.000	16.441	78.503	.000	.000	.000	110.568	798.764	307.957
12-10	.000	14.407	89.771	.000	.000	.000	75.905	874.669	340.963
12-11	.000	12.624	102.655	.000	.000	.000	42.519	917.188	357.692
12-12	.000	9.318	96.715	.000	.000	.000	10.443	927.631	361.441
12-13									
12-14									
12-15									
12-16									
S TOT	.000	240.447	690.911	.000	.000	1146.600	927.631	927.631	361.441
AFTER	.000	.000	.000	.000	.000	.000	.000	927.631	361.441
TOTAL	.000	240.447	690.911	.000	.000	1146.600	927.631	927.631	361.441

OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0		5.00	610.044
GROSS ULT., MB & MMF	174.633	30.952	10.00	361.441
GROSS CUM., MB & MMF	.000	.000	15.00	164.068
GROSS RES., MB & MMF	174.633	30.952	20.00	5.210
NET RES., MB & MMF	130.975	23.214	25.00	-124.332
NET REVENUE, M\$	2939.825	65.764	30.00	-231.284
INITIAL PRICE, \$	20.000	2.500	40.00	-396.055
INITIAL N.I., PCT.	75.000	75.000	60.00	-605.954
			80.00	-731.648
			100.00	-814.419

		LIFE, YRS.	10.83
		DISCOUNT %	10.00
		UNDISCOUNTED PAYOUT, YRS.	3.37
		DISCOUNTED PAYOUT, YRS.	4.38
		UNDISCOUNTED NET/INVEST.	1.81
		DISCOUNTED NET/INVEST.	1.32
		RATE-OF-RETURN, PCT.	20.20
		INITIAL W.I., PCT.	100.000