

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. 12815 (Reopened)
ORDER NO. R-11771-A

IN THE MATTER OF CASE NO. 12815 BEING REOPENED PURSUANT TO
THE PROVISIONS OF DIVISION ORDER NO. R-11771, WHICH ORDER
ESTABLISHED TEMPORARY SPECIAL POOL RULES FOR THE NORTH
OSUDO-DEVONIAN POOL IN LEA COUNTY, NEW MEXICO, INCLUDING
PROVISIONS FOR 160-ACRE SPACING AND PRORATION UNITS AND
DESIGNATED WELL LOCATION REQUIREMENTS.

ORDER OF THE DIVISION

BY THE DIVISION;

This case came on for hearing at 8:15 a.m. on July 10, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of August, 2003, 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) By Order No. R-11771 issued in Case No. 12815 on May 22, 2002, the Division, upon application of Read & Stevens, Inc., established temporary special pool rules for the North Osudo-Devonian Pool, Lea County, New Mexico, including provisions for 160-acre spacing and proration units and designated well location requirements such that wells are to be located no closer than 330 feet to any quarter-quarter section or lot. A further provision prohibits the drilling of more than one well on a standard 160-acre proration unit.

(3) Pursuant to the provisions of Order No. R-11771, this case was reopened to allow the operators in the subject pool to appear and show cause why the "*Temporary Special Pool Rules for the North Osudo-Devonian Pool*" should not be rescinded and the pool developed on statewide 40-acre spacing.

(4) The North Osudo-Devonian Pool currently comprises the SW/4 of Section 4, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

(5) Read & Stevens, Inc. appeared at the hearing and presented evidence to support the permanent adoption of the **subject** pool rules.

(6) The evidence presented by Read & Stevens, Inc., demonstrates that:

- (a) the discovery well for the pool, the Liberty "4" Well No. 1 (API No. 30-025-35371) located 1800 feet from the South line and 330 feet from the West line (Unit L) of Section 4, Township 20 South, Range 36 East, NMPM, was drilled and completed in the Devonian formation by Read & Stevens, Inc. in October, 2001;
- (b) subsequent to that time, Read & Stevens, Inc. drilled the Klein "5" Well No. 1 (API No. 30-025-35847) located 2020 feet from the South line and 330 feet from the East line (Unit I) of Section 5, Township 20 South, Range 36 East, NMPM;
- (c) the Liberty "4" Well No. 1 and the Klein "5" Well No. 1 are dedicated to two standard 160-acre spacing units comprising the SW/4 of Section 4 and the SE/4 of Section 5, respectively;
- (d) the Liberty "4" Well No. 1 and the Klein "5" Well No. 1 are the only two producing wells in the pool at this time;
- (e) this Devonian reservoir is limited to an area of approximately 104 acres by the presence of a northeast-southwest trending fault in Section 4, and by virtue of an oil-water contact located at a depth of -7,071 feet. This Devonian reservoir encompasses only portions of the SW/4 of Section 4 and the SE/4 of Section 5;
- (f) the drive mechanism in this reservoir is primarily liquid expansion, with no water drive and very little gas. As a result, the recovery factor for this Devonian reservoir is expected to be very low;

- (g) the ultimate recovery for the Liberty "4" Well No. 1 and the Klein "5" Well No. 1 are estimated to be 123,000 and 44,000 barrels of oil, respectively; and,
- (h) the Liberty "4" Well No. 1 and the Klein "5" Well No. 1 will effectively drain the entire Devonian structure.

(7) The engineering evidence presented demonstrates that the current well spacing within the North Osudo-Devonian Pool has provided Read & Stevens, Inc. the opportunity to economically recover the oil and gas reserves in this Devonian structure, thereby preventing waste.

(8) No other operator **and/or** interest owner appeared at the hearing.

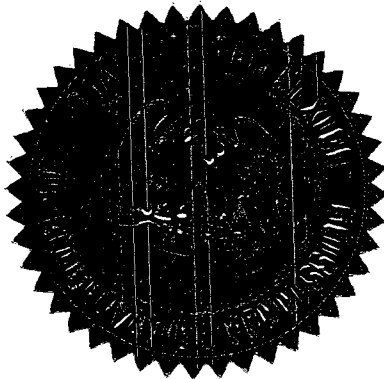
(9) The *"Temporary Special Pool Rules for the North Osudo-Devonian Pool"* should remain in full force and effect until further order of the Division.

IT IS THEREFORE ORDERED THAT ;

(1) The *"Temporary Special Pool Rules for the North Osudo-Devonian Pool"*, as established by Division Order No. R-11771 dated May 22, 2002, are hereby continued in full force and effect until further order of the Division.

(2) Jurisdiction 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director