

CASE 7295: GULF OIL CORPORATION FOR
RESCISSION OF DIVISION ORDER NO. R-2429-
C, EDDY COUNTY, NEW MEXICO

Case No.

7295

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
2 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation for
rescission of Division Order No.
R-2429-C, Eddy County, New Mexico.

CASE
7295

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Joseph G. Soliz, Esq.
The Gulf Companies
1 Houston Center
Houston, Texas 77001

A P P E A R A N C E S C O N T ' D

For Texaco, Inc.:

T. Calder Ezzell, Jr., Esq.
HINKLE, COX, EATON, COFFIELD, &
HENSLEY
600 1st Bldg.
Roswell, New Mexico 88201

I N D E X

CHARLES F. KALTEYER

Direct Examination by Mr. Soliz	4
Cross Examination by Mr. Stamets	7
Cross Examination by Mr. Ezzell	10

MR. STAMETS: We'll call next Case 7295.

MR. PEARCE: Application of Gulf Oil Corporation for rescission of the Division Order Number R-24290, Eddy County, New Mexico.

MR. SOLIZ: Mr. Examiner, my name is Joseph Soliz, and I'm an attorney employed by Gulf Oil Corporation in Houston, Texas.

I'm appearing today in association with William B. Kastler, a Gulf attorney, who is a member of the New Mexico Bar.

We have one witness today.

MR. STAMETS: Any other appearances in this case?

MR. EZZELL: Mr. Examiner, my name is Calder Ezzell. I'm with the law firm of Hinkle, Cox, Eaton, Coffield, and Hensley, in Roswell, New Mexico, representing Texaco.

MR. STAMETS: Do you have a witness?

MR. EZZELL: No witnesses.

MR. STAMETS: Okay.

(Witness sworn.)

CHARLES F. KALTEYER

being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. SOLIZ:

Q Would you please state your name for
the record?

A Charles F. Kalteyer, K-A-L-T-E-Y-E-R.

Q Mr. Kalteyer, by whom are you employed
and where?

A I'm employed by Gulf Oil Corporation in
Midland, Texas.

Q And what is your position with Gulf?

A Chief Proration Engineer for the South-
west District.

Q Mr. Kalteyer, have you previously given
testimony before the Commission and had your credentials ac-
cepted and made a matter of record?

A Yes, sir, I have.

MR. SOLIZ: Mr. Examiner, I'd like to
tender Mr. Kalteyer as an expert petroleum engineer.

MR. STAMETS: He is considered qualified.

Q Mr. Kalteyer, what is Gulf seeking in this application?

A. We are seeking the rescission of Division Order R-2429C, effective April 1, 1981, nunc pro tunc, which amended Rules 2 and 4 of the special rules and regulations for the White's City Pennsylvanian Gas Pool in Eddy County, but we wish to retain the findings of that hearing that one well will not adequately drain 640 acres and that a second well on each proration unit is necessary to effectively and efficiently drain the spacing and proration units presently assigned to the wells in the pool.

Rule 2 was amended from 640 standard proration units to 320 acre standard proration units.

Rule 4 was amended from the spacing requirements of well locations no nearer than 1650 to the unit boundary and no nearer than 330 to any governmental quarter quarter section, to 660 to the nearest side boundary of the dedicated tract, nor closer than 1650 for the nearest in boundary, and no closer than 330 to any quarter quarter section or subdivision.

Q Mr. Kalteyer, why were the rules amended April 1, 1981?

A. Gulf requested the amendment of pool rules at this hearing after an extensive study indicated that

1

2 the average well in the pool was draining only 257 acres and
3 that with an infill drilling program approximately 1.48 billion
4 cubic feet of additional gas might be expected to be recovered
5 by each additional well on each proration unit.

6

Q Thank you. Mr. Kalteyer, why is Gulf
7 amending its previous application?

8

A Since the pool has been operating under
9 640 acre proration units since 1963, it was not our intention
10 to disturb the long-standing established equities in these
11 certain 640 acre communitized units by an infill drilling
12 program on the 320 acre proration units, nor cause the pre-
13 mature termination of leases on certain tracts within the
14 640 acre units which would be outside the newly designated
15 320 acre units.

16

Q Mr. Kalteyer, what is Gulf now requesting?

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A By reference to the testimony and exhibits
18 presented in the March 25th, 1981, hearing, it is requested
19 that a finding be made that one well will not adequately drain
20 a 640 acre unit and that infill drilling of a second well on
21 a previously established 640 acre proration unit is necessary
22 to effectively and efficiently drain a portion of the reservoir
23 covered by each proration unit and that the 640 acre proration
24 Rule 2 and the no nearer than 1650 to the unit boundary, Rule
25 4, be reinstated, nunc pro tunc, as of April 1, 1981, within

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the present pool boundary.

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Q

Thank you. Mr. Kalteyer, is it your

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opinion that granting of Gulf's application today would result ---

5

would be in the interest of conservation, the prevention of

6

waste, and result in the preservation of correlative rights?

7

A

Yes, sir, I do.

8

MR. SOLIZ: Mr. Examiner, I have no

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other questions of the witness at this time.

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CROSS EXAMINATION

12

BY MR. STAMETS:

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Mr. Kalteyer, this isn't in the form of

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a question, it's about the only way the Examiner can testify.

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It would seem to me from what I've heard, what Gulf is re-

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questing here is something similar in the White's City Penn-

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nized the equities that could be injured by changing the

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drilling.

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So it sounds to me like what you've

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asked for is something that we have done in the past.

25

Now, going beyond what you've asked for

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2 here, would you say based on the evidence that Gulf developed
3 in the original case that any acreage outside the boundaries
4 of the existing White City Pennsylvanian Pool should be devel-
5 oped on 320 acre spacing units rather than 640's?

6 A. Yes, sir, that --

7 Q. Do you feel it would be --

8 A. -- would apparently stand to reason.

9 Q. Do you feel that it would be appropriate
10 for us in this order to limit 640 acre spacing to that acreage
11 which lies within the boundaries of the White City Pennsylvanian
12 only?

13 A. Yes, sir.

14 Q. And this would be --- this would offset
15 our general rules and regulations which say that the pool
16 spacing applies within a mile of the outer boundary of that
17 pool.

18 Okay.

19 A. One point I would make for the Examiner's
20 consideration is that the distance to the boundary is 1650 on
21 the 640's and this might -- perhaps we should consider that
22 in those outside of the pool, also, rather than the statewide
23 1980.

24 Q. If we did limit it to the boundaries of
25 the pool only, then 1980 would apply outside.

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A. On statewide.

3

Q. Right.

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A. But my point was we might want to consider

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for equity purposes in the area.

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Q. Well, if a pool -- if a well were deve-

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loped outside and eventually added to the pool, I'm sure that

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that unorthodox location is grandfathered in, so I don't fore-

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see that as being a major problem.

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A. Well, I just wanted to point that out

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to you. It is 1650, and we had proposed in our March 25th

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hearing when we proposed the 320 units, that it be 1650 for

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the end boundary.

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Q. How much of the --

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A. That's just for your consideration.

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Q. How much of the acreage inside the

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White City Penn Pool does Gulf control?

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A. I think we have -- we're operating nine

19

wells, I think, out of 23.

20

Q. Okay, so it's your intention to infill

21

all of those locations?

22

A. Yes, sir.

23

Q. Do you -- have you talked to the other

24

operators in the pool to get some indication that they will

25

also -- were also going to drill additional wells?

1
2 A. Well, they would be looking into it, as
3 far as I -- we have no commitment from them.

4 Q. At the original hearing no one objected
5 to the --

6 A. No.

7 Q. -- 320 which would actually require that
8 they drill another well.

9 A. Right.

10 Q. Okay.

11 MR. STAMETS: Any other questions of
12 this witness?

13 MR. EZZELL: I have just a couple.

14 MR. STAMETS: Mr. Ezzell.

15
16 CROSS EXAMINATION

17 BY MR. EZZELL:

18 Q. Mr. Kalteyer, what -- what is the effect
19 of the reduction in proration units from 640 acres to 320
20 acres on royalty owners who might lie outside of the newly
21 designated 320 acre proration unit per well?

22 A. Within the unit? Within the present
23 unit boundaries?

24 Q. Right.

25 A. Well, this -- we found that this would

1
2 upset the equities and there were certain properties that
3 might not be covered by the terms of the agreement on a con-
4 tinuous development.

5 Q In other words, a royalty owner whose
6 acres lies outside of the newly designated unit under the
7 existing order that we're seeking to rescind might find himself
8 after receiving runs from a particular well for ten or twelve
9 years, might suddenly find that he is no longer receiving any
10 runs at all.

11 A That's correct.

12 Q On the other side of the coin, in the
13 event another well was drilled on the 320 which was deleted
14 from the 640 under this R-2429C, in the event a commercial
15 well was obtained, the royalty owner receiving runs under the
16 new well would not have to share his runs with the royalty
17 owners in the other half of the section whose runs he had in
18 fact been sharing for the last fifteen years?

19 A Not necessarily, depending on the terms
20 of the --

21 Q So in order to protect the correlative
22 rights of royalty in such situations, the 640 acre spacing
23 with the infill drilling is required.

24 A Yes, that's right.

25 MR. EZZELL: Okay, I have no further

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2 questions.

3 MR. STAMETS: Any other questions of this
4 witness? He may be excused.

5 Anything further in this case?

6 I would ask that Gulf prepare a proposed
7 order in this case and submit that as quickly as they can.

8 MR. SOLIZ: Yes, sir.

9 MR. STAMETS: If there is nothing further,
10 this case will be taken under advisement.

11
12 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8295, heard by me on 7/22 19.81.
Richard R. [Signature], Examiner
 Oil Conservation Division

SALLY W. BOYD, C.S.R.
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 Santa Fe, New Mexico 87501
 Phone (505) 455-7409

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
2 July 1981

EXAMINER HEARING

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R-2429-C, Eddy County, New Mexico.

CASE
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BEFORE: Richard L. Stamets

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A P P E A R A N C E S C O N T ' D

For Texaco, Inc.:

T. Calder Ezzell, Jr., Esq.
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I N D E X

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MR. STAMETS: We'll call next Case 7295.

MR. PEARCE: Application of Gulf Oil Corporation for rescission of the Division Order Number R-24290 Eddy County, New Mexico.

MR. SOLIZ: Mr. Examiner, my name is Joseph Soliz, and I'm an attorney employed by Gulf Oil Corporation in Houston, Texas.

I'm appearing today in association with William B. Kastler, a Gulf attorney, who is a member of the New Mexico Bar.

We have one witness today.

MR. STAMETS: Any other appearances in this case?

MR. EZZELL: Mr. Examiner, my name is Calder Ezzell. I'm with the law firm of Hinkle, Cox, Eaton, Coffield, and Hensley, in Roswell, New Mexico, representing Texaco.

MR. STAMETS: Do you have a witness?

MR. EZZELL: No witnesses.

MR. STAMETS: Okay.

(Witness sworn.)

CHARLES F. KALTEYER

being called as a witness and being duly sworn upon his oath,
testified as follows, to wit:

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BY MR. SOLIZ:

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A I'm employed by Gulf Oil Corporation in
Midland, Texas.

Q And what is your position with Gulf?

A Chief Proration Engineer for the South-
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Q Mr. Kalteyer, have you previously given
testimony before the Commission and had your credentials ac-
cepted and made a matter of record?

A Yes, sir, I have.

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tender Mr. Kalteyer as an expert petroleum engineer.

MR. STAMETS: He is considered qualified.

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3 Q Thank you. Mr. Kalteyer, is it your
4 opinion that granting of Gulf's application today would result
5 would be in the interest of conservation, the prevention of
6 waste, and result in the preservation of correlative rights?

7 A Yes, sir, I do.

8 MR. SOLIZ: Mr. Examiner, I have no
9 other questions of the witness at this time.

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11 CROSS EXAMINATION

12 BY MR. STAMETS:

13 Q Mr. Kalteyer, this isn't in the form of
14 a question, it's about the only way the Examiner can testify.
15 It would seem to me from what I've heard, what Gulf is re-
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18 done in the Blanco-Mesaverde and Basin Dakota, where we recog-
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operators in the pool to get some indication that they will
also -- were also going to drill additional wells?

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5 to the --

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8 they drill another well.

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10 Q Okay.

11 MR. STAMETS: Any other questions of
12 this witness?

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14 MR. STAMETS: Mr. Ezzell.

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16 CROSS EXAMINATION

17 BY MR. EZZELL:

18 Q Mr. Kalteyer, what -- what is the effect
19 of the reduction in proration units from 640 acres to 320
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21 designated 320 acre proration unit per well?

22 A. Within the unit? Within the present
23 unit boundaries?

24 Q Right.

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2 upset the equities and there were certain properties that
3 might not be covered by the terms of the agreement on a con-
4 tinuous development.

5 Q In other words, a royalty owner whose
6 acres lies outside of the newly designated unit under the
7 existing order that we're seeking to rescind might find himself
8 after receiving runs from a particular well for ten or twelve
9 years, might suddenly find that he is no longer receiving any
10 runs at all.

11 A That's correct.

12 Q On the other side of the coin, in the
13 event another well was drilled on the 320 which was deleted
14 from the 640 under this R-2429C, in the event a commercial
15 well was obtained, the royalty owner receiving runs under the
16 new well would not have to share his runs with the royalty
17 owners in the other half of the section whose runs he had in
18 fact been sharing for the last fifteen years?

19 A Not necessarily, depending on the terms
20 of the --

21 Q So in order to protect the correlative
22 rights of royalty in such situations, the 640 acre spacing
23 with the infill drilling is required.

24 A Yes, that's right.

25 MR. EZZELL: Okay, I have no further

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2 questions.

3 MR. STAMETS: Any other questions of this
4 witness? He may be excused.

5 Anything further in this case?

6 I would ask that Gulf prepare a proposed
7 order in this case and submit that as quickly as they can.

8 MR. SOLIZ: Yes sir.

9 MR. STAMETS: If there is nothing further,
10 this case will be taken under advisement.

11
12 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7295
Order No. R-2429-D

APPLICATION OF GULF OIL CORPORATION
FOR RESCISSION OF DIVISION ORDER
NO. R-2429-C, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 2, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of July, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That by Order No. R-2429-A, entered March 27, 1963, in Case No. 2737, the Division promulgated special pool rules for the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, including a provision for 640-acre well spacing and proration units and specified well locations.

(3) That by Order No. R-2429-B, entered April 13, 1964, the Division continued said special pool rules in full force and effect until further order of the Division.

(4) That as a result of Case No. 7203 and by its Order No. R-2429-C entered April 7, 1981, the Division amended said special pool rules to provide for 320-acre well spacing and proration units and specified well locations.

(5) That said amendment of the special pool rules resulted from testimony and findings in said Case that the existing wells

-2-

Case No. 7295

Order No. R-2429-D

in said pool were not effectively and efficiently draining the 640-acre proration units dedicated to them.

(6) That such findings are contained in Findings Nos. (5), (6), (7), (8), and (10) of said Order No. R-2429-C, which are hereby incorporated herein by reference.

(7) That subsequent to the entry of said Order No. R-2429-C it was determined that the change in spacing unit size would result in loss of some leases formerly dedicated to communitized 640-acre proration units and other disturbances of historical equities under the preexisting proration units within said White City-Pennsylvanian Gas Pool.

(8) That the net result of the conditions outlined in Finding No. (7) above would be to deprive owners of their correlative rights within said pool.

(9) That the correlative rights of the owners within said pool may be protected and effective and efficient drainage therefrom may be provided by permitting the infill drilling of additional wells on each 640-acre proration unit.

(10) That no more than two wells should be permitted to produce from any 640-acre proration unit within said pool without permission of the Director of the Division.

(11) That the special pool rules for the White City-Pennsylvanian Gas Pool should apply only within the boundaries of said pool.

(12) That the location of any well drilling or approved to be drilled within or within one mile of the White City-Pennsylvanian Gas Pool which location corresponds to that provided by said special pool rules should be approved.

(13) That approval of the proposed rescission of Order No. R-2429-C, provision for infill drilling, and limitation of special pool rules will prevent waste and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Division Order No. R-2429-C is hereby rescinded and is of no effect whatsoever.

(2) That Rule 2 of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico,

-3-

Case No. 7295

Order No. R-2429-D

as promulgated by Division Orders Nos. R-2429-A and R-2429-B, is hereby amended to read in its entirety as follows:

"RULE 2. A. Each well completed or recompleted in the White City-Pennsylvanian Gas Pool shall be located on a standard unit containing 640 acres, more or less, consisting of a single governmental section.

B. Nothing in this rule shall be construed as prohibiting the drilling of additional wells on a standard proration unit provided that there shall be no more than two producible wells on any one proration unit at one time.

C. That for good cause shown the Director of the Division may waive the requirements of Rule 2B. above."

(3) That a new Rule 6 is hereby added to said special rules and regulations to read in its entirety as follows:

"RULE 6. That these special rules shall apply only within the horizontal limits of the White City-Pennsylvanian Gas Pool as they are defined below and as they may from time to time be amended.

HORIZONTAL LIMITS
WHITE CITY-PENNSYLVANIAN GAS POOL
EDDY COUNTY, NEW MEXICO

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Sections 8 and 9: All
Sections 15 through 17: All
Sections 19 through 22: All
Sections 28 through 30: All
Sections 32 through 35: All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Sections 1 through 4: All
Sections 10 through 12: All"

(4) That the location of any well drilling or previously approved to be drilled within or within one mile of the White City-Pennsylvanian Gas Pool which location meets the requirements of Rule 4 of said special rules and regulations is hereby approved.

-4-

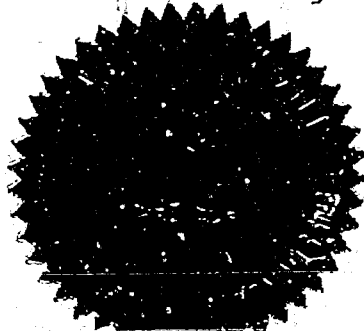
Case No. 7295

Order No. R-2429-D

(5) That the effective date of this order and of the rescissions, rule changes, and rule additions included herein shall be April 1, 1981.

(6) That jurisdiction of this cause is 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

Joe D. Ramey
JOE D. RAMEY
Director

fd/

Gulf Oil Exploration and Production Company

J. M. Thacker
GENERAL MANAGER PRODUCTION
SOUTHWEST DISTRICT

P. O. Drawer 1150
Midland, TX. 79702

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Re: Proposed Order of the Division
Case No. 7295
Order R-2429-C
White City-Pennsylvanian Gas Pool
Eddy County, New Mexico

Gentlemen:

At the close of the hearing on July 2, 1981 on the amendment of the Special Rules for the White City-Pennsylvanian Gas Pool, Examiner Stamets requested that Gulf submit a proposed order. Transmitted herewith is our proposal for the Order of the Division in the subject case.

Yours very truly,

E.D. Kallinger
for F.H. Martin

CFK/js



A DIVISION OF GULF OIL CORPORATION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7295
ORDER NO. R-2429-C

APPLICATION OF GULF OIL CORPORATION
FOR THE AMENDMENT OF POOL RULES
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 2, 1981 at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of July, 1981, the Division Director, having considered the testimony, the record of this case and Case No. 7208, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That by Order No. R-2429-A, entered March 27, 1963, in Case No. 2737, the Division promulgated special pool rules for the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, including a provision for 640-acre well spacing and proration units and specified well locations.

(3) That by Order No. R-2429-B, entered April 13, 1964, the Division continued said special pool rules in full force and effect until further order of the Division.

(4) That by Order No. R-2429-C entered April 7, 1981 and effective April 1, 1981, the Division amended Rule 2 of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico to provide that each well shall be located on a standard unit containing 320 acres more or less, consisting of the N/2, S/2, E/2 or W/2 of a single Governmental section and amended Rule No. 4 to provide that each well be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(5) That by reference to Case No. 7208 and Order No. R-2429-C the Division adopts or modifies the previous findings to wit:

a) That the evidence in this case indicates that the wells in the White City-Pennsylvanian Gas Pool are not draining 640-acres as it had been thought that they would, but that in fact the average well in the pool is draining only 257 acres.

b) That although the Strawn, Atoka, and Morrow zones of the Pennsylvanian all produce gas in the subject pool, production from the pool is mostly from the many separate pay stringers in the Morrow zone which vary greatly in areal extent and in permeability, porosity, and thickness, both within individual stringers and between stringers.

c) That due to the variation in the areal extent and in permeability, porosity, and thickness of the stringers, there is considerable variation in the amount of original gas in place tapped by the various wells completed in the subject pool, and also in the percent of such original gas in place under each well which may be expected to be recovered by the well.

d) That due to the variation in the areal extent and in permeability, porosity, and thickness of the stringers in the Pennsylvanian formation in the subject pool, the existing wells (drilled on 640-acre spacing and proration units) are not believed to have encountered many of the smaller stringers in the reservoir, nor are they expected in all cases to effectively and efficiently drain the stringers which they have tapped.

e) That to allow the drilling of a second well on each 640 acre proration unit within the present boundaries of the pool would result in numerous additional wells being drilled in the pool, and would greatly enhance the chances of tapping all of the productive stringers in the reservoir, and could also improve the drainage of gas from stringers previously tapped by existing wells.

f) That the wells presently completed in the White City-Pennsylvanian Gas Pool are not effectively and efficiently draining the 640-acre spacing and proration units assigned to them, but if a second well on a proration unit were allowed, the wells in the pool should more effectively and efficiently drain the spacing and proration units in which they are located.

g) That according to the evidence submitted in this case, approximately 1.48 billion cubic feet of additional gas may be expected to be recovered by each second well drilled on a standard 640-acre White City-Pennsylvanian Gas Pool Proration unit.

h) That the Special Pool Rules for the White City-Pennsylvanian Gas Pool as promulgated by Division orders R-2429-A and R-2429-B is in the Public interest and will not cause, but will prevent, waste and will not impair, but will protect, correlative rights.

(6) That it was not the intention of the applicant, Gulf Oil Corporation, to disturb the long standing royalty and working interest equities in the wells on those certain communitized 640-acre proration units by reducing the proration units to 320-acres nor remove certain royalty and working interest owners from an interest in certain infill wells to be drilled on a 320-acre density pattern.

(7) That the vertical limits of the White City-Pennsylvanian Gas Pool comprise the Pennsylvanian formation and the horizontal limits comprise the following described lands in Eddy County, New Mexico as of April 1, 1981:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Sections 8 and 9: ALL
Sections 15 through 17: ALL
Sections 19 through 22: ALL
Sections 28 through 30: ALL
Sections 32 through 35: ALL

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Sections 1 through 4: ALL
Sections 10 through 12: ALL

(8) That Rule 2 of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool should be re-established as of April 1, 1981 nunc pro tunc with 640-acres as the standard unit and to read as follows:

"RULE 2(A). A standard gas proration unit in the White City-Pennsylvanian Gas Pool which falls within the pool boundaries as set out in Findings, Number 7, shall be 640-acres consisting of a single governmental section."

"RULE 2(B). A standard gas proration unit in the White City-Pennsylvanian Gas Pool which falls outside of the pool boundaries as set out in Findings, Number 7, shall be 320-acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a single governmental section."

(9) That Rule 4 of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool should be amended to read in its entirety as follows:

"RULE 4(A). The initial well drilled on a standard proration 640-acre unit as set out in Rule 2(A) shall be located no nearer than 1650 feet to the boundary of the proration unit and no nearer than 330 feet to any governmental quarter-quarter section line."

"Any well presently completed in the Pennsylvanian formation, within the White City-Pennsylvanian Gas Pool, that does not comply with the well location requirements of Rule 4(A) is hereby granted an exception to the requirements of Rule 4(A)."

"RULE 4(E). The second well drilled on a standard 640-acre proration unit as set out in Rule 2(A) shall be located with respect to the unit boundaries as described in Rule 4(A) above."

"No Pennsylvanian infill well shall be drilled nearer than 1650 feet to an existing Pennsylvanian well on the same standard 640-acre proration unit."

"The plats (Form C-102) accompanying the Application to Drill (OCD Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined there on the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed well."

"RULE 4(C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so."

"RULE 4(D). Each well drilled on a standard proration 320-acre unit as set out on Rule 2(B) shall be located no nearer than 660 feet to the nearest side boundary of the dedicated tract nor nearer than 1650 feet to the nearest end boundary nor nearer than 330 feet to any quarter-quarter section or sub-division inner boundary."

"Any gas well location approved to be drilled in accordance with the location rules in effect prior to April 1, 1981 will be considered as a standard location."

(10) That the effective date of this order and the provisions hereof should be April 1, 1981 nunc pro tunc.

IT IS THEREFORE ORDERED:

(1) That Rule 2 of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, as promulgated by Division Orders No.'s R-2429-A, R-2429-B and R-2429-C, is hereby amended to read in its entirety as follows:

"RULE 2(A). A standard gas proration unit in the White City-Pennsylvanian Gas Pool which falls within the pool boundaries as set out in Findings, Number 7, shall be 640-acres consisting of a single governmental section."

"RULE 2(B). A standard gas proration unit in the White City-Pennsylvanian Gas Pool which falls outside of the pool boundaries as set out in Findings, Number 7, shall be 320-acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a single governmental section."

(2) That Rule 4 of the Special Rules and Regulations is hereby amended to read in it's entirety as follows:

"RULE 4(A). The initial well drilled on a standard proration 640-acre unit as set out in Rule 2(A) shall be located no nearer than 1650 feet to the boundary of the proration unit and no nearer than 330 feet to any governmental quarter-quarter section line."

"Any well presently completed in the Pennsylvanian formation, within the White City-Pennsylvanian Gas Pool, that does not comply with the well location requirements of Rule 4(A) is hereby granted an exception to the requirements of Rule 4(A)."

"RULE 4(B). The second well drilled on a standard 640-acre proration unit as set out in Rule 2(A) shall be located with respect to the unit boundaries as described in Rule 4 (A) above."

"No Pennsylvanian infill well shall be drilled nearer than 1650 feet to an existing Pennsylvanian well on the same standard 640-acre proration unit."

"The plats (Form C-102) accompanying the Application to Drill (OCD Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined there on the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed well."

"RULE 4(C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so."

"RULE 4(D). Each well drilled on a standard proration 320-acre unit as set out on Rule 2(B) shall be located no nearer than 660 feet to the nearest side boundary of the dedicated tract nor nearer than 1650 feet to the nearest end boundary nor nearer than 330 feet to any quarter-quarter section or sub-division inner boundary."

"Any gas well location approved to be drilled in accordance with the location rules in effect prior to April 1, 1981 will be considered as a standard location."

Case No. 7295
Order No. R-2429-C

(3) That the locations of all wells presently permitted and/or drilled and completed in the White City-Pennsylvanian Gas Pool are hereby approved.

(4) That the operator of each well in the White City-Pennsylvanian Gas Pool shall have until September 1, 1981 to file with the Artesia District of the Division new Forms C-102, Well Location and Acreage Plat, for each of his wells showing thereon the location of the well and the acreage dedicated there-to pursuant to this order. Failure to so file such plats will subject the well to cancellation of allowable.

(5) That this order shall become effective at 7:00 o'clock a.m. on April 1, 1981 nunc pro tunc, and shall apply as described in Finding Number 7 above and as it may be subsequently extended by the Division, and to the Pennsylvanian formation within one mile of said pool.

(6) That jurisdiction of this cause is 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 herein above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
Director

S E A L

- CASE 7291: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Silurian and Fusselman formations underlying the N/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7292: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian thru Ellenburger formations underlying the S/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7293: Application of ARCO Oil and Gas Company for an amendment to Order No. R-6649, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-6649 which authorized compulsory pooling in Section 33, Township 22 South, Range 36 East, Langlie Field, to extend to February 1, 1982, the commencement of drilling required in said order.
- CASE 7294: Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers-Queen formation at a depth of 2996 feet to 3186 feet in its R. S. Crosby Well No. A-2 located in Unit L of Section 28, Township 25 South, Range 37 East, Langlie Mattix Pool.
- CASE 7248: (Continued from June 3, 1981, Examiner Hearing)
- Application of Inxco Oil Company for pool creation, special pool rules, and an oil discovery allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Federal 10 State Com. Well No. 1 located in Unit L of Section 10, Township 21 South, Range 26 East, and the promulgation of special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of approximately 42,290 barrels of discovery allowable to the aforesaid well.
- CASE 7280: (Continued from June 17, 1981, Examiner Hearing)
- Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.
- CASE 7295: Application of Gulf Oil Corporation for rescission of Division Order No. R-2429-C, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Division Order No. R-2429-C which authorized 320-acre spacing units in the White City-Pennsylvanian Gas Pool. Applicant seeks the reinstatement of 640-acre spacing units in said pool with provision for 320-acre infill drilling and appropriate findings relative thereto.
- CASE 7296: Application of J. Gregory Merrion and Robert L. Bayless for amendment of pool rules, contraction of the Otero-Gallup Pool, and extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Devils Fork-Gallup Associated Pool Rules to provide for 160-acre spacing rather than 80 acres. Applicant further seeks the contraction of the Otero-Gallup Pool by the deletion of the following acreage: E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West, and the E/2 of Section 35, Township 25 North, Range 6 West. Applicant seeks the extension of the Devils Fork-Gallup Associated Pool to include the following acreage: In Township 24 North, Range 6 West: All of Sections 2 and 3; S/2 and NE/4 of Section 4; S/2 of Section 5; S/2 of Section 6; and N/2 of Section 11. In Township 25 North, Range 6 West: SE/4 of Section 33; S/2 of Section 34; and all of Section 35.
- CASE 7297: (This case will be dismissed.)
- Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Alley Unit Well No. 1 in Unit E of Section 1, Township 19 South, Range 25 East.

Gulf Oil Exploration and Production Company

J. M. Thacker
GENERAL MANAGER PRODUCTION
SOUTHWEST DISTRICT

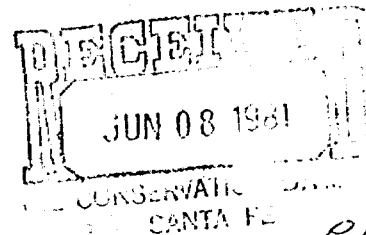
June 3, 1981

P. O. Drawer 1150
Midland, TX. 79702

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Gentlemen:



Case 7295

Re: Examiners Hearing Request Case 7208,
Order No. R-2429-C White City Penn-
sylvanian Gas Pool, Eddy County, New
Mexico

On April 7, 1981 the subject order was approved which amended the special rules of the White City Pennsylvanian Gas Pool from 640-acre proration units to 320-acre at the request of Gulf. Evidence was presented showing the average well in the pool was not effectively draining its 640-acre unit and in order to more effectively drain the pool infill drilling would be desirable.

Since the pool has been operating under 640-acre proration units since 1963, it was not our intention to disturb the longstanding established equities in those certain 640-acre communitized units by an infill drilling program on 320-acre proration units.

It is, therefore, respectfully requested by Gulf Oil Corporation that a hearing be set on your July 2, 1981 Examiners Docket to rescind Order No. R-2429-C and reinstate the 640-acre unit as the standard size. It will be requested by reference to the testimony and exhibits presented in the March 25, 1981 hearing that a finding be made that infill drilling of a second well on a previously established 640-acre proration unit is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit.

Yours very truly,

F. H. Martin
Technical Manager

CFK/da

cc: New Mexico Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210
All Operators



A DIVISION OF GULF OIL CORPORATION

C and K Petroleum Inc.
600 C & K Building
Midland, Texas 79701

HNG Oil Company
Box 2267
Midland, Texas 79702

Mesa Petroleum Company
Vaughn Bldg Suite 1000
400 W. Texas Ave.
Midland, Texas 79701

Pennzoil Company
Gibraltar Saving Bldg.
Midland, Texas 79701

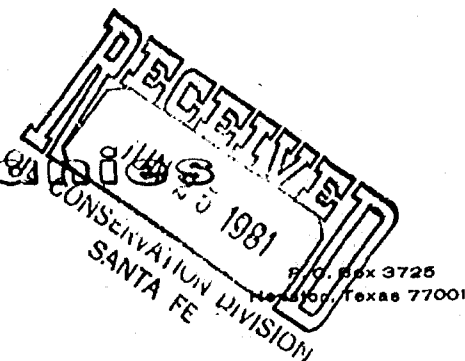
Texaco Incorporated
Box 3109
Midland, Texas 79702

The Gulf Companies

LAW DEPARTMENT

William V. Kastler
ATTORNEY

June 22, 1981



Mr. Joe D. Ramey
Director,
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 7295, Docket 20-81
Examiner Hearing on Thursday, July 2, 1981

Dear Mr. Ramey:

Due to the fact that I will be on vacation, I would greatly appreciate your allowing Mr. Joseph G. Soliz, another Gulf Oil Corporation Attorney in Houston, to appear in my place as a representative of Gulf in the above listed case. Mr. Soliz is a member of the Bar of Texas and he has previously appeared on behalf of Gulf under my sponsorship.

Sincerely yours,


William V. Kastler

WVK/lstj

cc: Ernest Padilla, Esquire
General Counsel
New Mexico Oil Conservation
Division

Joseph G. Soliz

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. ⁷²⁹⁵~~7200~~
Order No. R-2429-D

APPLICATION OF GULF OIL CORPORATION
FOR THE ~~AMENDMENT OF POOL RULES~~
EDDY COUNTY, NEW MEXICO.

Rescission of Division Order No

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on ~~March 25, 1981~~,
at Santa Fe, New Mexico, before Examiner ~~Daniel S. Nutter~~. *July 2 1981*

NOW, on this ~~7th~~ day of April, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That by Order No. R-2429-A, entered March 27, 1963, in
Case No. 2737, the Division promulgated special pool rules for
the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico,
including a provision for 640-acre well spacing and proration
units and specified well locations.

(3) That by Order No. R-2429-B, entered April 13, 1964, the
Division continued said special pool rules in full force and
effect until further order of the Division.

-2-
Case No. 7295
Order No. R-2429-D

(4) That as a result of Case No. 7208 and by its Order No. R-2429-C entered April 7, 1981, the Division amended said special pool rules to provide for 320-acre well spacing and proration units and specified well locations.

(5) That said amendment of the special pool rules resulted from testimony and findings in said Case that the existing wells in said pool were not effectively and efficiently draining the 640-acre proration units dedicated to them.

(6) That such findings are contained in Findings Nos. (5), (6), (7), (8), and (10) of said Order No. R-2429-C, which are hereby incorporated herein by reference.

(7) That subsequent to the entry of said Order No. R-2429-C it was determined that the change in spacing unit size would result in loss of some leases formerly dedicated to communitized 640-acre proration units and other disturbances of historical equities under the preexisting proration units within said White City-Pennsylvanian Gas Pool.

(8) That the net result of the conditions outlined in Finding No. (7) above would be to deprive owners of their correlative rights within said pool.

(9) That the correlative rights of the owners within said pool may be protected and effective and efficient drainage therefrom may be provided by permitting the infill drilling of additional wells on each 640-acre proration unit.

(10) That no more than two wells should be permitted to produce from any 640-acre proration unit within said pool without permission of the Director of the Division.

(11) That the special pool rules for the White City Pennsylvanian Pool should apply only within the boundaries of said pool.

(12) That the location of any well drilling or approved to be drilled within or within one mile of the White City Pennsylvanian Gas Pool which location corresponds to that provided by said special pool rules should be approved.

(13) That approval of the proposed rescission of Order No. R-2429-C, provision for infill drilling, and limitation of special pool rules will prevent waste and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Division Order No. R-2429-C is hereby rescinded and is of no effect whatsoever.

(2) That Rule 2 of the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, as promulgated by Division Orders Nos. R-2429-A and R-2429-B, is hereby amended to read in its entire as follows:

"RULE 2. A. Each well completed or recompleted in the White City-Pennsylvanian Gas Pool shall be located on a standard unit containing 640 acres, more or less, consisting of a single governmental section.

B. Nothing in this rule shall be construed as prohibiting the drilling of additional wells on a standard proration unit provided that there shall be no more than two producible wells on any one proration unit at one time.

C. That for good cause shown the Director of the Division may waive the requirements of Rule 2B. above."

(3) That a new Rule 6 is hereby added to said special rules and regulations to read in its entirety as follows:

"RULE 6. That these special rules shall apply only within the horizontal limits of the White City-Pennsylvanian Gas Pool as they are ~~currently~~ ^{below} defined and as they may from time to time be amended."

HORIZONTAL LIMITS
White City Pennsylvanian Gas Pool
EDDY COUNTY, NEW MEXICO

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Sections 8 and 9: All

Sections 16 through 17: All

Sections 19 through 22: All

Sections 28 through 30: All

Sections 32 through 35: All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Sections 1 through 4: All

Sections 10 through 12: All "

(4) That the location of any well drilling or previously approved to be drilled within or within one mile of the White City-Pennsylvanian Gas Pool which location meets the requirements of Rule 4 of said special rules and regulations is hereby approved.

(5) That the effective date of this order and of the rescissions, rule changes, and rule additions included herein shall be April 1, 1981.

(6) That jurisdiction of this cause is 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.