



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

February 28, 1996

Meridian Oil, Inc.
P.O. Box 51810
Midland, Texas 79710-1810
Attn: Donna Williams

Administrative Order NSL-3633

Dear Ms. Williams:

Reference is made to your application dated December 21, 1995 for the following two unorthodox "gas" well locations in the Rhodes-Yates-Seven Rivers (Oil) Pool, and the supplement correspondence regarding same from Meridian Oil, Inc. dated January 29, 1996, February 1, 2, and 20, 1996, and from Texaco Exploration and Production Inc. dated February 2 and 26, 1996 and Doyle Hartman, Oil Operator dated January 23, 24, and 31, and February 26 and 27, 1996:

- Rhodes "B" Federal Well No. 4 to be drilled 330 feet from the North line and 1470 feet from the West line (Unit I) of Section 27; and,
- Rhodes "B" Federal Well No. 7 to be drilled 2418 feet from the South line and 553 feet from the East line (Unit C) of Section 26.

Both well locations are in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico.

The circumstances involved in this matter are somewhat unique in nature, complicated contractually, and is based on existing poolwide practices and development under the terms of the Rhodes Unit Agreement; therefore, since both wells are proposed and expected to be classified as gas wells in an established "oil pool" then both will be subject to Division General **Rules 506.A** and **104.C(1)(a)**.

It is proposed and appropriate to dedicate to the No. 4 well a standard 40-acre tract comprising the NE/4 SE/4 (Unit I) of said Section 27 and the No. 7 well will likewise have dedicated to it a standard 40-acre tract comprising the NE/4 NW/4 (Unit C) of said Section 26. Pursuant to

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Meridian Oil, Inc.

February 28, 1996

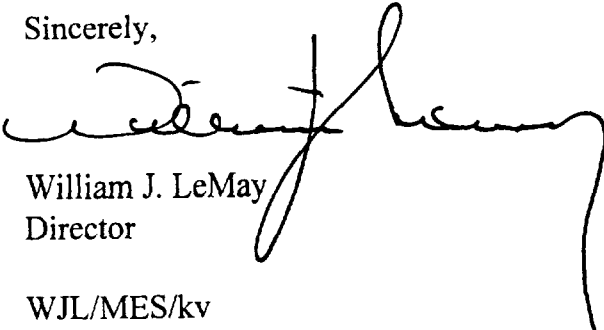
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said **Rule 104.C(1)(a)** development wells in defined oil pools shall be spaced on 40-acre tracts with well locations to be no closer than 330 feet to any boundary of such tract. Further, pursuant to said **Rule 506.A** each of the aforementioned 40-acre tracts shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. For the Rhodes-Yates-Seven Rivers (Oil) Pool the top unit oil allowable is 80 barrels of oil per day and the limiting gas-oil ratio is 10,000 cubic feet of gas per barrel of oil, as established by Division Order No. R-520, dated August 12, 1954, or 800 MCF of gas per day.

Both applications have been duly filed under the provisions of **Rule 104.F** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996. Furthermore, it should be noted that the No. 4 well encroaches only the 40-acre tract to the north, the SE/4 NE/4 (Unit H) of said Section 27, and the No. 7 well encroaches only the 40-acre tract to the west, the NW/4 NW/4 (Unit D) of said Section 26, both tracts of which the gas rights are controlled by Meridian Oil, Inc. Proper notification was therefore provided under **Rule 104.F(3)(a)** since Meridian itself in this instance is the "affected party".

By the authority granted me under the provisions of Division General **Rule 104.F(2)**, both of the above-described unorthodox gas well locations are hereby approved.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Jerry Sexton, District Supervisor - Oil Conservation Division, Hobbs.
Rand L. Carroll, Legal Counsel - Oil Conservation Division, Santa Fe
U. S. Bureau of Land Management - Carlsbad
Leslyn M. Swierc, Meridian Oil, Inc. - Midland, Texas
W. Thomas Kellahin - Santa Fe
William F. Carr - Santa Fe
Michael J. Condon, Gallegos Law Firm - Santa Fe
Doyle Hartman, Oil Operator - Midland, Texas