

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. 10683

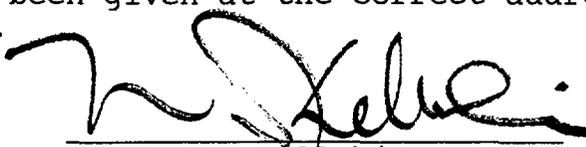
APPLICATION OF MERIDIAN OIL INC.
FOR A NON-STANDARD PRORATION AND
SPACING UNIT, RHODES YATES-SEVEN
RIVERS GAS POOL, LEA COUNTY, NEW
MEXICO

CERTIFICATE OF MAILING

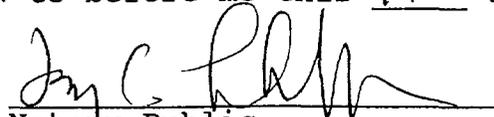
AND

COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of MERIDIAN OIL INC., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on FEBRUARY 24, 1993, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for MARCH 18, 1993, to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

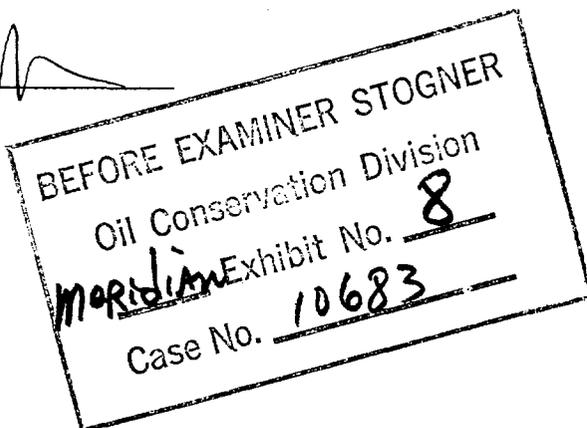

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 17TH day of
MARCH, 1993.


Notary Public
Jay C. Laubscher

My Commission Expires:

10/7/95



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SENDER:

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:
 Doyle Hartman
 ATTN: Patrick Worrell
 P.O. Box 10426
 Midland, TX 79702

4a. Article Number
P133 837 081

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR - 1 1993

5. Signature (Addressee)
Mend 2/24 NSP

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)
Betty Lane

DOMESTIC RETURN RECEIPT

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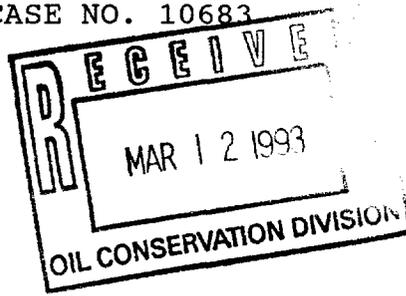
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 10683



APPLICATION OF MERIDIAN OIL, INC.
FOR APPROVAL OF A NON-STANDARD
PRORATION AND SPACING UNIT, RHODES
YATES-SEVEN RIVERS GAS POOL, LEA
COUNTY, NEW MEXICO

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL
INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.
P.O. Box 51810
Midland, TX 79710
ATTN: Tom O'Donnell

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OPPOSITION OR OTHER PARTY
(Name, Address, and Phone)

ATTORNEY

Pre-Hearing Statement
Case No. 10683
Page 2

STATEMENT OF CASE

APPLICANT

Meridian Oil Inc. ("Meridian") proposes to drill its Gregory "B" Well No. 2 at a standard location in Unit A of Section 15, Township 26 South, Range 37 East and also proposes to dedicate this well to production from the Rhodes Yates-Seven Rivers Gas Pool from a non-standard proration unit comprising the SE/4SE/4 of Section 10 and the NE/4NE/4 and S/2NE/4 of said Section 15.

The previous approval of other non-standard spacing and proration units for the pool has left Meridian's acreage in the SE/4SE/4 of Section 10 undedicated to any well in this pool.

With approval of this application, there will remain a 160-acre tract comprising the SE/4SW/4 and the SW/4SE/4 of Section 10 and the NW/4NE/4 and the NE/4NW/4 of Section 15 under the control of Doyle Hartman.

The approval of the proposed non-standard proration and spacing unit will afford the opportunity to Meridian to fully dedicate its acreage to a well and will leave available to Doyle Hartman the balance of the acreage to form a 160-acre spacing and proration unit for his acreage.

OPPOSITION OR OTHER PARTY

N/A

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Tom O'Donnell Petroleum Engineer	20 Minutes	4 Exhibits

OPPOSITION OR OTHER PARTY

WITNESSES	EST. TIME	EXHIBITS
N/A		

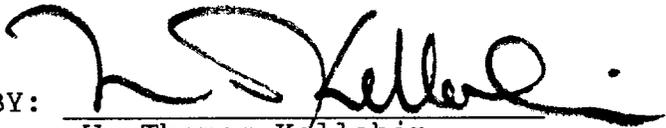
PROCEDURAL MATTERS

None applicable at this time.

Respectfully submitted,

KELLAHIN AND KELLAHIN,

BY:


W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR MERIDIAN OIL INC.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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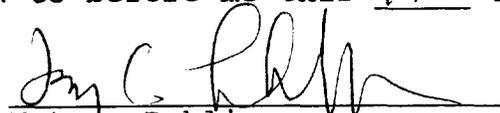
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COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of MERIDIAN OIL INC., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on FEBRUARY 24, 1993, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for MARCH 18, 1993, to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

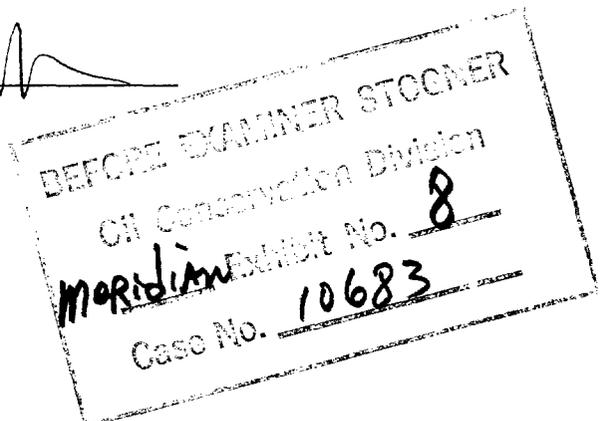

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 17TH day of
MARCH, 1993.


Notary Public
Jay C. Laubscher

My Commission Expires:

10/7/95



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Doyle Hartman
 ATTN: Patrick Worrell
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4a. Article Number

P133 837 081

4b. Service Type

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- Express Mail Return Receipt for Merchandise

7. Date of Delivery

MAR - 1 1993

5. Signature (Addressee)

Mend 2/24 NSP

6. Signature (Agent)

Betty Lane

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 *U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

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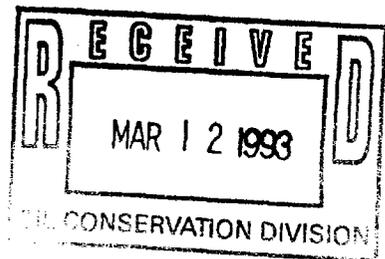
M.S.

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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CONSIDERING:

CASE NO. 10683

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FOR APPROVAL OF A NON-STANDARD
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YATES-SEVEN RIVERS GAS POOL, LEA
COUNTY, NEW MEXICO



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P.O. Box 51810
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ATTORNEY

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OPPOSITION OR OTHER PARTY
(Name, Address, and Phone)

ATTORNEY

STATEMENT OF CASE

APPLICANT

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OPPOSITION OR OTHER PARTY

N/A

Pre-Hearing Statement
Case No. 10683
Page 3

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
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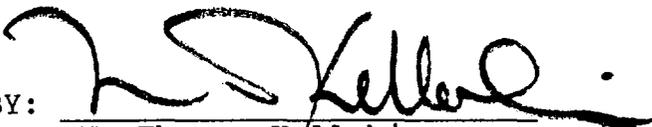
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PROCEDURAL MATTERS

None applicable at this time.

Respectfully submitted,

KELLAHIN AND KELLAHIN,

BY: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR MERIDIAN OIL INC.

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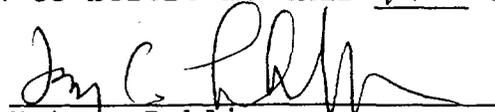
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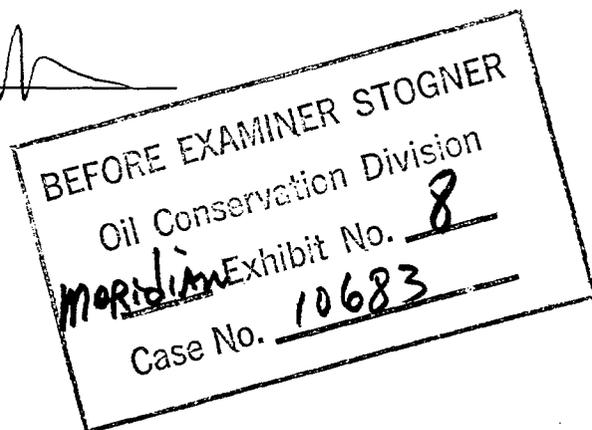

W. Thomas Kellahin

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Notary Public
Jay C. Laubscher

My Commission Expires:

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
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CONSIDERING:

CASE NO. 10683
ORDER NO. R-9870

**APPLICATION OF MERIDIAN OIL, INC. FOR A NON-STANDARD GAS SPACING
AND PRORATION UNIT, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 18, 1993 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 14th day of April, 1993 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, Meridian Oil Inc. ("Meridian"), seeks approval of a 160-acre non-standard gas spacing and proration unit in the designated and Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and the S/2 NE/4 of Section 15, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, said unit to be dedicated to its Gregory "B" Well No. 2 to be drilled at a standard gas well location in Unit A (NE/4 NE/4) of said Section 15.

(3) This application and hearing is the result of a denial by the Division (see letter on file with the Division dated February 15, 1993) of an administrative application for a 120-acre non-standard gas spacing and proration unit filed by Meridian in December, 1992, requesting the NE/4 NE/4 and S/2 NE/4 of said Section 15 be dedicated to the proposed well.

(4) The Rhodes-Yates-Seven Rivers Gas Pool is an unprorated gas pool governed under the Division's general Rules and Regulations which require 160-acre spacing and proration units, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Lands Survey. Said pool is also governed by the two Division Memorandums dated July 27, 1988 and August 3, 1990, which disallow the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools.

(5) As expressed in the aforementioned correspondence to Meridian dated February 15, 1993, it was the Division's opinion that all references to "proration units" in its Memorandums were to be interpreted as "standard gas proration units of standard size for a particular pool". Meridian was informed by said letter that the practice of operators forming non-standard spacing units in order to avoid the Division's simultaneous dedication policy was no longer an accepted practice. Also, Meridian was notified that in most instances the practice of forming non-standard sized and shaped spacing units to avoid the compulsory pooling of acreage within standard sized and shaped spacing and proration units was also not considered just cause by the Division.

(6) Within this particular two Section area, development of the Rhodes-Yates-Seven Rivers Gas Pool is as follows:

- (a) The 40-acre non-standard gas spacing unit comprising the SW/4 SW/4 (Unit M) of Section 10, approved by Division Administrative Order NSP-1292, is dedicated to Meridian's Rhodes GSU Well No. 9 in Unit M;
- (b) the standard 160-acre unit comprising the NW/4 of Section 10 is dedicated to Meridian's Rhodes GSU Well No. 16 in Unit E;
- (c) the N/2 S/2 of Section 10, being a non-standard 160-acre unit approved by Division Administrative Orders NSP-1292 and NSP-1292-A has been developed by Meridian's Bates Well No. 1 (well P & A'ed February, 1988) in Unit L and Doyle Hartman - Oil Operator attempted to develop the same acreage with its C. T. Bates Well No. 2 (well was P & A'ed in January, 1991 after encountering a severe waterflow during drilling) also in Unit L;
- (d) the standard 160-acre unit comprising the SW/4 of Section 15 is simultaneously dedicated to Meridian's Cagle "B" Well No. 1 in Unit L and Rhodes GSU Well No. 24 in Unit N (simultaneous dedication occurred prior to the Division's July 27, 1988 Memorandum);

- (e) the standard 160-acre unit comprising the SE/4 of Section 15 is simultaneously dedicated (pre-1988 authorization) to Meridian's Rhodes GSU Well Nos. 8 and 25 in Units J and O, respectively; and,
- (f) the 120-acre non-standard gas spacing unit comprising the NW/4 NW/4 and S/2 NW/4 of Section 15, approved by Division Administrative Order NSP-1292, is simultaneously dedicated (pre-1988 authorization) to Meridian's Gregory "B" Well No. 1 in Unit F and Rhodes GSU Well No. 7 in Unit F.

(7) The undeveloped portions comprise the NE/4 and NE/4 NW/4 of said Section 15 and the NE/4, SE/4 SW/4, and S/2 SE/4 of said Section 10. The NE/4 of Section 10 is a standard 160-acre unit and can therefore be developed without exception to the spacing rules. The remaining 320 acres comprising the SE/4 SW/4 and S/2 SE/4 of Section 10 and the NE/4 and NE/4 NW/4 of Section 15, of which the subject 160-acre non-standard spacing unit is a part, would require special attention to accommodate any combination of two 160-acre units within the space available.

(8) In this instance the proposed 160-acre non-standard gas proration unit is within a single Federal lease owned and operated by Meridian. The remaining 160 acres comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15 is owned by Doyle Hartman - Oil Operator ("Hartman").

(9) The applicant approached Hartman to voluntarily pool his interest in the NW/4 NE/4 of Section 15 in order to form a standard 160-acre gas spacing and proration unit for the Rhodes-Yates-Seven Rivers Gas Pool comprising the entire NE/4. By correspondence dated January 7, 1993 Hartman notified Meridian that he was not interested in contributing his acreage in the NE/4 of said Section 15. In most normal circumstances the applicant would be required to force pool Hartman's interest in order to obtain the appropriate amount of acreage for the proposed gas well.

(10) Meridian's proposal, although a variance of Division policy and rules, appears to be an acceptable plan to correct a situation previously forced on both Hartman's and Meridian's acreage holdings by the existing non-standard drilling tracts.

(11) The entire non-standard gas proration unit may reasonably be presumed productive of gas from the Rhodes-Yates-Seven Rivers Gas Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(12) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(13) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of gas in the Rhodes-Yates-Seven Rivers Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(14) In the future Hartman, or any applicable operator, may petition the Division for administrative approval for the remaining non-standard 160-acre gas spacing and proration unit in the Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15. The operator should be required to follow the notice provisions as provided in Division General Rules 104.D(2)(a)(iii) and (iv).

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil Inc. for a 160-acre non-standard gas spacing and proration unit in the designated and Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and the S/2 NE/4 of Section 15, both in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Said unit is to be dedicated to its Gregory "B" Well No. 2 to be drilled at a standard gas well location in Unit A (NE/4 NE/4) of said Section 15.

IT IS FURTHER ORDERED THAT:

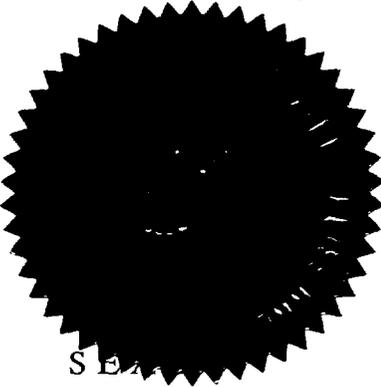
(3) Any applicable operator who possesses the right to develop the Rhodes-Yates-Seven Rivers Gas Pool comprising the SE/4 SW/4 and SW/4 SE/4 of said Section 10 and the NW/4 NE/4 and NE/4 NW/4 of said Section 15, may petition the Division for administrative approval for a non-standard 160-acre gas spacing and proration unit comprising said acreage.

(4) Said operator shall comply with the notice provisions as provided in Division General Rules 104.D(2)(a)(iii) and (iv).

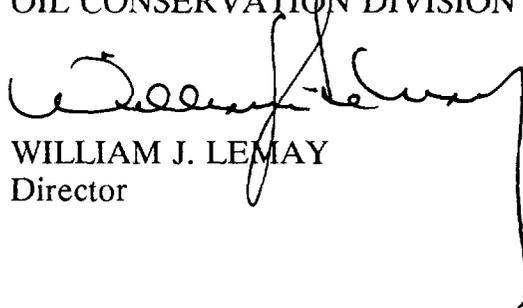
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', written over the typed name.

WILLIAM J. LEMAY
Director