

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. 10659
ORDER NO. R-9879

**APPLICATION OF MERIDIAN OIL, INC. FOR A NON-STANDARD GAS
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 22nd 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 Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the E/2 E/2 of Section 7, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, said unit to be dedicated to its Farnsworth "B" Federal Well No. 1 to be drilled at a standard gas well location in Unit A (NE/4 NE/4) of said Section 7.
- (3) This application and hearing is the result of a denial by the Division (see letter on file with the Division dated March 4, 1993) of an administrative application for same filed by Meridian in December, 1992.
- (4) The proposed non-standard unit is flanked to the northwest, north, northeast, and top east half by the Rhodes-Yates-Seven Rivers Gas Pool. The western boundary abuts the Scarborough Yates-Seven Rivers Pool.

(5) The geological evidence presented by the applicant at the hearing indicates the existence of a structural low axis, which trends northwest/southeast, that divides the anticlinal structure in the west (Scarborough Pool) from the structure in the east (Rhodes Gas Pool). This low axis, being neither a fault or permeability barrier, divides said Section 7 leaving the W/2 and the W/2 E/2 as a logical extension of the Scarborough Yates-Seven Rivers Pool with the E/2 E/2 as a logical extension of the Rhodes-Yates-Seven Rivers Gas Pool. Therefore the subject acreage should be governed by those rules applicable to the Rhodes-Yates-Seven Rivers Gas Pool.

(6) 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 disallows the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools.

(7) Said general rules do not provide for an administrative review process for non-standard 160-acre gas spacing and proration units that cross quarter section lines [see Rule 104.D(2)(a)(ii)].

(8) The entire non-standard 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.

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

(10) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Rhodes-Yates-Seven Rivers Gas Pool, will prevent the economic loss caused by the drilling of unnecessary number of 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.

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 Undesignated Rhodes-Yates-Seven Rivers Gas Pool comprising the E/2 E/2 of Section 7, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Said unit is to be dedicated to its Farnsworth "B" Federal Well No. 1 to be drilled at a standard gas well location in Unit A (NE/4 NE/4) of said Section 7.

(3) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. Lemay
WILLIAM J. LEMAY
Director

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