

CABLE #413: EL PASO NATURAL GAS COMPANY
& FOR POOL CREATION AND REDEVELOPMENT,
LEA COUNTY, NEW MEXICO

DOCKET MAILED
Date 11/6/81

CASE NO.

7416

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas
Company for pool creation and rede-
lineation, Lea County, New Mexico.

CASE
7416

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

Owen Lopez, Esq.
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PASEO DE PERALTA
Santa Fe, New Mexico 87501

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I N D E X

LEE AYERS

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MR. STAMETS: We'll call next Case 7416.

MR. PEARCE: Application of El Paso Natural Gas Company for pool creation and redelineation, Lea County, New Mexico.

MR. LOPEZ: Mr. Examiner, my name is Owen Lopez, with the law firm of Montgomery and Andrews, Santa Fe, New Mexico, appearing on behalf of the applicant, El Paso Natural Gas Company, and we have one witness to be sworn.

(Witness sworn.)

MR. LOPEZ: Mr. Examiner, I think it will facilitate the hearing if I could be allowed to make a brief opening statement before we get into the direct testimony.

In 1927 the Rhodes Pool, lying just north of New Mexico-Texas border in Township 26 South, Range 37 East, Lea County, New Mexico, was discovered by the drilling and completion of the Rhodes A No. 1 Well in Unit C of Section 22.

In 1929 Paul Kaiser founded the El Paso Natural Gas company and commenced construction of the company's first pipeline for the purpose of transporting the gas produced from the Rhodes Pool to the El Paso, Texas,

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2 market. Incidentally, this pool has been producing both oil
3 and gas, although it has been treated as one common oil reser-
4 voir.

5 Subsequent to the discovery of the Rhodes
6 Pool adjacent oil and gas pools were discovered in the Permian
7 Basin. The Jalmat Pool was established by Order No. R-520,
8 dated August 24th, 1954, and the Scarborough Pool was esta-
9 blished by Order No. R-2999, dated December 1, 1965.

10 Exterior boundaries of both pools were
11 defined with the Jalmat Pool overlapping the entire Rhodes
12 Pool and the Scarborough Pool overlapping a portion of the
13 western part of the Rhodes Pool.

14 In connection with this country's mili-
15 tary effort during World War II certain voices raised concern
16 that waste was being caused by the flaring of casinghead gas
17 produced from Texas oil fields. However, at the time there
18 existed insufficient markets for utilizing this gas.

19 With certain foresight Mr. Kaiser re-
20 sisted the suggestion that this production should be cur-
21 tailed so as to prevent waste, and he conceived the idea of
22 storing such gas until a market for it became available.

23 Thus, the Rhodes Gas Storage Project
24 was created. On June 29, 1944, El Paso Natural Gas Company
25 entered into a gas storage agreement with the Federal govern-

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2 ment covering the vast majority of the Federal lands within
3 the Rhodes Pool, and subsequently, in 1948, El Paso entered
4 into a gas storage agreement with the State of New Mexico,
5 covering almost all the State lands within the Rhodes Pool.

6 The Rhodes Storage Project has essentially
7 been operated as a gas storage reservoir pursuant to these
8 agreements; however, the unit area was converted to a production
9 mode from 1966 through 1973 when it was reactivated for gas
10 storage, and since that time to present date has been opera-
11 ted as a gas storage reservoir.

12 Primarily due to the fact that today's
13 energy requirements call for substantially larger gas storage
14 reservoirs, such as Washington Ranch, the Federal Energy Regu-
15 latory Commission entered an order on April 30th, 1981,
16 directing El Paso to abandon utilization of the Rhodes
17 Storage Project as a storage reservoir and permitting El Paso
18 to withdraw all the injected gas in the storage project for
19 gas storage purposes.

20 As a result by early 1982 the Rhodes
21 Storage Project will be depleted of all its storage gas and
22 will be capable of again producing its remaining native gases.

23 This brief history may help explain the
24 basis for this application today.
25

LEE AYERS

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

DIRECT EXAMINATION

BY MR. LOPEZ:

Q Now, would you please state your name,
by whom you're employed, and in what capacity?

A I am Lee Ayers. I'm employed by El Paso
Natural Gas Company, from El Paso, Texas, and I have the
title of Manager, Gas Supply Group, in the Reservoir Engineer-
ing Department.

Q Are you familiar with the application of
El Paso Natural Gas Company in Case Number 7416?

A Yes, sir.

Q And what is it that El Paso is essentially
seeking in this case?

A We have three different points that
we're attempting to cover in this application.

Number one, we desire to contract the
horizontal limits of the Jalmat Gas Pool by deleting there-
from most of the lands in Township 26 South, Range 37 East,
in Lea County, New Mexico, and incorporating these deleted

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2 lands into either the Rhodes Oil Pool, the Rhodes Gas Pool,
3 or the Scarborough Pool.

4 Number two, contract the horizontal
5 limits of the Rhodes-Yates Seven Rivers Pool by deleting
6 therefrom the gas productive lands in the north end thereof
7 and to create the Rhodes-Yates-Seven Rivers Gas Pool com-
8 prising all such deleted lands.

9 Thirdly, applicant further proposes to
10 withdraw without restriction all remaining gas in the newly
11 created Rhodes Gas Pool.

12 Q Mr. Ayers, have you previously testified
13 before the Commission and had your qualifications accepted as
14 a matter of record?

15 A Yes, sir, I have.

16 MR. LOPEZ: Are the witness' qualifica-
17 tions acceptable?

18 MR. STAMETS: They are.

19 Q Mr. Ayers, I'd now ask you to refer to
20 what's been marked Exhibit Number One and ask you to identify
21 and explain it.

22 A Exhibit Number One is a map of the
23 Rhodes Pool, located in Township 26 South, 37 East, Lea
24 County, New Mexico. It also shows the unit outline of the
25 Rhodes Unit, which is a cross hatched line shown at the bot-

tom of the legend in the lower lefthand corner. All of the lands within the unit area are colored. The blue represents Federal lands; the yellow, State lands; and the pink, fee lands.

Now not all of the acreage is committed. The uncommitted acres that are cross hatched, just a single cross hatch, are El Paso leases, uncommitted.

The double cross hatch are other working interest owners leases that are uncommitted.

Q. Okay. Now, I would ask you to refer to what has been marked as Exhibit Number Two and identify it.

A. Exhibit Number Two is the unit agreement for the Federal lands in the Rhodes Unit.

Q. Okay. Now I'd ask you to refer to what's been marked Exhibit Number Three and ask you to identify it.

A. Exhibit Three refers to the State agreement for Section 16 that is also a part of the unit agreement.

Q. Okay.

MR. LOPEZ: Mr. Examiner, at this time I would request that you take administrative notice of the Federal Energy Regulatory Commission Order dated April 30th, 1981, with an effective date of May 1, 1981; on the FERC docket it is referred to as Order RP-72-6, which allows El Paso Natural Gas Company to abandon its Federally certified

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2 storage service area in the Rhodes Unit and directs El Paso
3 Natural Gas Company to remove all remaining injected gas for
4 the purpose of the Federally certified storage service.

5 MR. STAMETS: We'll so note.

6 Q Now, Mr. Ayers, I'd like you to explain
7 what El Paso Natural Gas Company is presently doing in com-
8 pliance with this order I just referred to of the Federal
9 Energy Regulatory Commission.

10 A Well, the Rhodes Storage Project was, of
11 course, shut in until May the 1st of this year when we re-
12 ceived the order to abandon it as a storage project, and to
13 activate Washington Ranch as a replacement storage project,
14 Washington Ranch is located in Eddy County, New Mexico, ef-
15 fective May the 1st of 1981, and we opened up the Rhodes Storage
16 Project at capacity.

17 We had a remaining 2.9 billion cubic feet
18 of injected gas still to be recovered, so we started recovering
19 that injected gas with the wells flowing at capacity. It
20 appears now that by the early part of January of 1982 we will
21 have all of the injected gas recovered and will start pro-
22 ducing so-called native gas.

23 Q Okay. Now I'd ask you to refer to what
24 has been marked as Exhibit Number Five -- well now actually
25 I want Four first, don't I -- Exhibit Number Four, and ask

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2 you to explain it.

3 Q Exhibit Number Four also is a map of the
4 Rhodes Pool and we're showing the three different pool limits
5 as they presently exist, the three pools being Rhodes, Jalmat,
6 and Scarborough. There is a substantial overlap of the hori-
7 zontal limits of Jalmat and Rhodes, and there is a minor over-
8 lap of Rhodes and Scarborough.

9 We have visited informally earlier with
10 the Commission to get their reaction on how we should approach
11 the problem of converting Rhodes from a storage mode to a
12 production mode. At that time they suggested to us that we
13 might attempt to clean up the nomenclature, so to speak, for
14 the overlapping of pool boundaries between these three pools.

15 So Exhibit Four is an attempt to show
16 the problem, so to speak, that we're faced with on nomen-
17 clature.

18 Q Now I'd ask you to refer to what's been
19 marked for identification as Exhibit Number Five and ask you
20 to identify and describe this.

21 A Exhibit Number Five likewise is a map
22 of the Rhodes Pool in which we're proposing a remedy for the
23 overlapping of the nomenclature or horizontal boundaries of
24 the three pools.

25 It was our first intent in rolling back

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2 the Jalmat limits to start from the State line, common bound-
3 ary between Texas and New Mexico at the southern or lower end
4 of the map, and roll that back to the boundary at the top of
5 Township 26. However, the Commission also suggested to us
6 that in our rollback efforts that we contact other operators
7 who have wells that would be affected by this and see how
8 they felt about it.

9 The well that's in Section 3 of Township
10 26, 37, is an Amerada well, identified on the map as the
11 Cagle No. 1, northwest quarter of the section.

12 Amerada expressed a desire to stay in
13 the Jalmat rather than convert to Rhodes. So for that reason
14 we have left them out of the Rhodes limits.

15 The yellow boundary, yellow tape bound-
16 ary around is the -- our proposal for the new horizontal
17 limits of the Rhodes Pool. The red cross hatching in Section
18 7, the west half of the east half of Section 7, represents
19 the strip that overlaps the Scarborough with Rhodes. We're
20 proposing to roll back Rhodes from that strip, leaving it in
21 Scarborough.

22 On the east side of the map in Section
23 10, the northwest quarter, which is shaded in red, that would
24 be a proposed expansion from what the existing Rhodes hori-
25 zontal limits are.

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In Section 14 on the east side, also the southwest quarter, shaded in red, is another expansion from the existing Rhodes limits to take care of that well that's located there, the Leonard Federal No. 8.

And then in Section 23 just south of the Leonard Federal Well, we are proposing that the west half of the northwest quarter also be an expansion from the present pool limits to the new pool limits to take in that 40-acre tract that is in the Rhodes Unit, Federal Unit.

So there's four sections that are colored in red, comprising either a deletion or an expansion from the existing Rhodes limits to an expanded or a corrected or an adjusted Rhodes limits.

It was also suggested to us in our visit with the Commission that we divide Rhodes into two pools, a gas pool and an oil pool, so the green line is our attempt to separate or to establish a gas/oil contact and separate the oil pool portion from the gas pool portion.

Primarily we used the production of the wells themselves for control. It seems to fit fairly well the structure on top of the Yates, also.

Q I notice here on your Exhibit Number Five in Section 29 that it looks, and I don't think you mentioned it, that there is a further deletion of a portion of

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2 the existing Rhodes Pool that would then become part of the
3 Scarborough Pool, am I right?

4 A. No, sir. There is nothing in Section 29
5 that is in the Rhodes Pool now.

6 Q. Okay, I was mistaken.

7 A. One other thing on the map, within the
8 proposed Rhodes Gas Pool area, the productivity of those
9 wells, the average daily producing rate for October of 1981,
10 is spotted on -- beside each well symbol, giving an idea of
11 what the productivity is like, how variable the productivity
12 is among wells.

13 The TA beside the Shepherd B No. 3 Well
14 in the northeast quarter of Section 5, toward the top of the
15 map, TA stands for temporarily abandoned. That well has not
16 produced in the last five or ten years.

17 Q. Now I'd refer you to what's been marked
18 as Exhibit Number Six and ask you to identify it.

19 A. Exhibit Number Six is a set of pages
20 specifically identifying the changes I've referred to, like
21 page one refers to the changes of the present Rhodes nomen-
22 clature to the proposed new Rhodes nomenclature, referring
23 to the deletion in Section 7 and the expansions in Sections
24 10 and 14 and 23.

25 Page two actually gives a complete new

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nomenclature of the entire newly proposed Rhodes Gas Pool.

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Page three gives a complete nomenclature for the new proposed Rhodes Oil Pool.

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Page four lists the wells that would have to be reclassified from Jalmat to Rhodes if such a roll-back for Jalmat is granted. It would affect eight wells that are presently either in the Jalmat Gas Pool, either a -- or an oil well in the Jalmat Gas Pool.

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Five of these eight wells are owned and operated by El Paso; the other three are owned and operated by other operators. Those wells are identified, their locations are set out by section, township, range and unit.

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Page five shows that also in this proposal one well would be changed from the Jalmat to the Scarborough Pool. That is identified as the Lewis Burleson Well, the Dale Federal No. 1 Well, located in Unit A of Section 29, Township 26, 37, which would be changed from the Jalmat gas pool to the Scarborough Pool.

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The thinking there was that although it's closely located with Rhodes wells, also in Section 29, the northwest quarter, El Paso has a Parker 1-A that is a gas well in the Scarborough Pool. We felt like the Dale Federal Well of Lewis Burleson more appropriately fitted geologically with the Parker 1-A. For that reason we proposed that it would

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2 go into the Scarborough, which of course, would require an
3 expansion of the Scarborough Pool limits to include the north-
4 east quarter of Section 29.

5 Page six would have one well that would
6 change from the Rhodes Oil to the Rhodes Gas, although it is
7 classified as a gas well, it is in the Rhodes Oil Pool pre-
8 sently, and that's the Wood, McShane, & Thams Lineberry No. 1,
9 located in Unit O, Section 23, 26 and 37.

10 Page seven is a list of all the wells
11 that would be present within the proposed boundaries of the
12 new Rhodes Gas Pool, including one temporarily abandoned well.

13 And page eight is a list of all the wells
14 that would occur in the proposed Rhodes Oil Pool, including
15 one temporarily abandoned well.

16 Q All right. Now, Mr. Ayers, once all the
17 injected storage gas in the Rhodes Unit is withdrawn, how
18 does El Paso intend to produce the remaining native gas in
19 place within the storage area, or within the proposed Rhodes
20 Gas Pool, as you outlined it on Exhibit Five?

21 A It would be our desire to produce the
22 wells at capacity.

23 Q And what is your justification for this
24 request?

25 A We have four justifications. Number one,

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2 El Paso Natural Gas Company is the only purchaser of gas from
3 the wells in the Rhodes Gas Pool.

4 Number two, El Paso will take gas from
5 all of these wells in a similar manner by giving every well
6 the opportunity to produce at maximum rates without restriction.

7 Number three, no inequities appear at
8 the common pool boundaries between Jalmat and Rhodes as a
9 result of the wells locations and productivities.

10 Number four, due to the advanced age of
11 some of these gas wells, El Paso feels that a prudent opera-
12 tor should attempt to recover the remaining gas reserves as
13 soon as possible before casing leaks or other well problems
14 could cause the loss of a well's productivity, and as Mr.
15 Lopez pointed out, the discovery well was drilled in 1927.
16 About half of the wells in the proposed Rhodes Gas Pool are
17 between 30 and 50 years old; the other half are 7 to 8 years
18 old.

19 These old wells are already a problem.
20 They're open hole completions, of course. It's hard to keep
21 them in good producing shape.

22 Q In your opinion will the granting of
23 this application be in the interest of the prevention of
24 waste and protection of correlative rights?

25 A. Yes, sir.

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2 Q Were Exhibits One through Six, with the
3 exceptions of Exhibits Two and Three, prepared by you or under
4 your supervision?

5 A Yes, sir.

6 Q And Exhibits Two and Three, Mr. Examiner,
7 are the unit agreement, as testified, and the State Order
8 which tracks the Federal Unit agreement for the storage area.

9 MR. LOPEZ: And I would offer these six
10 exhibits at this time.

11 MR. STAMETS: These exhibits will be ad-
12 mitted.

13 Q Is there anything further that you'd
14 like to offer?

15 A No, sir.

16 MR. LOPEZ: That concludes our direct.
17

18 CROSS EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Ayers, are the vertical limits of
21 the Rhodes Oil Pool and the Rhodes Gas Pool identical?

22 A As I understand it the vertical limits
23 would be the Yates-Seven Rivers formation.

24 Q And that would be the same for both
25 pools?

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A. Yes, sir.

Q. And it's a little hard to tell here but you're actually proposing two pools, a Rhodes Oil Pool and a Rhodes Gas Pool, or a single Rhodes Pool which --

A. No, sir, we're proposing two pools.

Q. Okay.

A. A Rhodes Gas Pool and a Rhodes Oil Pool.

Q. So the Rhodes Gas Pool would be that portion within the yellow line, which lies north of the green line?

A. Yes, sir.

Q. And conversely, the Rhodes Oil Pool would be to the south.

A. Yes, sir.

Q. Okay. Looking up in the northwest corner of the map, why was that well No. 6 down in the southwest southwest of Section 6 not transferred over to the Scarborough Pool?

A. It's another operator's well, I didn't see a particular need or advantage or accomplishment in making such a --

Q. You'd have no objection if the Division working with that operator put that well in it?

A. Absolutely not.

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Q Okay, how about the Moberly A -- well, the two Moberly oil wells in Section 8, are those El Paso wells?

A The Moberly A No. 1 is temporarily abandoned and has been for a long time. The Moberly -- well, the one in the -- the one in the northwest of the southwest is TA'd and has been for a long time. The one in the northwest of the southeast is still producing and belongs to Texaco.

Q Okay.

A That well that you asked about in Section 6, in the southwest quarter of Section 6, belongs to Texaco. It presently produces 1.8 barrels of oil per day with a gas/oil ratio of 1255 cubic feet per barrel.

Q And it would appear as though the --

A And the one in Section 8 makes 11.8 barrels per day; gas/oil ratio of 202 cubic feet per barrel.

Q It would appear that the majority of the Rhodes Oil Pool as you have proposed it is under water-flood.

A Yes, sir, that's correct.

Q So under those conditions the production of gas at any rate should not have any significant effect on those wells ability to produce --

A That is correct. It will not. That is

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2 correct.

3 Q Okay. I would assume also that the unit
4 agreement expires when the gas --

5 A That is not -- no, sir, that is not true.
6 The unit agreements, the Federal acreage and the State acreage,
7 continue in effect exactly the way they are now.

8 Q And does the alignment of the boundary
9 between the oil pool and the gas pool have any problems rela-
10 tive to the unit agreements?

11 A No, sir.

12 MR. STAMETS: Are there any other ques-
13 tions of this witness? He may be excused.

14 Do you have anything further in this
15 case?

16 MR. LOPEZ: No, Mr. Examiner.

17 MR. STAMETS: Mr. Lopez, it certainly
18 would be helpful and get expeditious handling of this case
19 if you could submit a proposed rough draft order.

20 MR. LOPEZ: I'll be glad to do so.

21 MR. STAMETS: In view of the things that
22 you are seeking.

23 If there is nothing further, then, this
24 case will be taken under advisement.

25 (Hearing concluded.)

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 Conserva-
tion 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

SALLY W. BOYD, C.S.R.
Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete and correct transcript of the hearing
held before me on 11-19-81 at 7416
19-81
Richard L. Stamm, Examiner
Oil Conservation Division



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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February 1, 1982

Mr. Owen Lopez
Montgomery & Andrews
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico 87501

Re: CASE NO. 7416
ORDER NO. R-6821

Applicant:

El Paso Natural Gas Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD _____
Artesia OCD X _____
Aztec OCD X _____

Other _____

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. 7416
Order No. R-6891

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR POOL CREATION AND REDELINEATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 19, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 1st day of February, 1982, 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 the applicant, El Paso Natural Gas Company, seeks to contract the horizontal limits of the Jalmat Gas Pool by deleting therefrom most of the lands in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant additionally seeks to redefine the Rhodes Yates-Seven Rivers Oil Pool as two separate pools, an oil pool and a gas pool, and to extend the horizontal limits of the Scarborough-Yates Seven Rivers Pool to take in two certain wells.

(4) Applicant further seeks to contract the horizontal boundaries of the Rhodes Gas Storage Unit to delete certain lands and wells not participating in the Rhodes Gas Storage Project and to withdraw without restriction all gas remaining in the newly redefined Rhodes Yates-Seven Rivers Gas Pool.

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Case No. 7416
Order No. R-6891

(5) That the aforesaid Jalmat Gas Pool and Rhodes Yates-Seven Rivers Oil Pool have substantially the same vertical limits and overlap, horizontally, to a great degree in Township 26 South, Range 37 East, Lea County, New Mexico.

(6) That to clarify the Division's pool nomenclature and eliminate said overlap, and to permit gas wells and oil wells within the overlap area to receive their proper allowable or authority to produce, the following action should be taken:

- (a) the horizontal limits of the Jalmat Tansill-Yates-Seven Rivers Gas Pool should be contracted by deletion therefrom of the acreage shown in paragraph (a) of Exhibit "A" attached to this order;
- (b) the horizontal limits of the Rhodes Yates-Seven Rivers Oil Pool should be contracted by deletion therefrom of the acreage shown in paragraph (b) of said Exhibit "A";
- (c) the horizontal limits of the Scarborough Yates-Seven Rivers Pool should be extended to include therein the acreage shown in paragraph (c) of said Exhibit "A";
- (d) That a new gas pool for Yates-Seven Rivers production should be created and designated the Rhodes Yates-Seven Rivers Gas Pool consisting of the acreage shown in paragraph (d) of said Exhibit "A".

(7) That no testimony was received relative to contraction of the Rhodes Gas Storage Unit and that portion of this application should be dismissed.

(8) That the newly created Rhodes Yates-Seven Rivers Gas Pool will be a non-prorated Gas Pool.

(9) That the effective date of this order should be January 1, 1982.

(10) That approval of the subject application and all the pool contractions, extensions, and creation included therein will not result in waste and will not violate correlative rights.

-3-

Case No. 7416
Order No. R-5891

IT IS THEREFORE ORDERED:

(1) That the Jalmat Tansill Yates-Seven Rivers Gas Pool as previously defined and described in Lea County, New Mexico, is hereby contracted as shown in paragraph (a) of Exhibit "A" attached to this order.

(2) That the Rhodes Yates-Seven Rivers Oil Pool as previously defined and described in Lea County, New Mexico, is hereby contracted as shown in paragraph (b) of Exhibit "A" attached to this order.

(3) That the Scarborough Yates-Seven Rivers Pool as previously defined and described in Lea County, New Mexico, is hereby extended as shown in paragraph (c) of Exhibit "A" attached to this order.

(4) That a new pool for Yates-Seven Rivers gas production is hereby created and designated the Rhodes Yates-Seven Rivers Gas Pool with vertical limits consisting of the Yates and Seven Rivers formations and horizontal limits as shown in paragraph (d) of Exhibit "A" attached to this order, provided however, that the vertical limits of said pool in Section 4, Township 26 South, Range 37 East, NMPM, shall be the Yates formation and all of the Seven Rivers formation except the lowermost 100 feet thereof.

(5) That the portion of this case seeking deletion of certain lands from the Rhodes Gas Storage Unit is hereby dismissed.

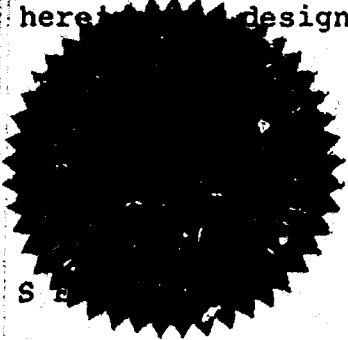
(6) That the effective date of this order and of the pool contractions, extensions and creation and the dismissal contained herein shall be January 1, 1982.

(7) 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 hereinafter designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director



- (a) Contraction of the Jalmat Tansill Yates-Seven Rivers Gas Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Sections 4, 5, and 6: All
 Section 7: E/2 E/2
 Sections 8 and 9: All
 Section 10: W/2
 Section 14: SW/4
 Section 15, 16, and 17: All
 Section 18: E/2 E/2
 Section 19: E/2 NE/4
 Sections 20, 21, and 22: All
 Sections 27 and 28: All
 Section 29: NE/4
 Section 33: E/2 E/2
 Section 34: All

- (b) Contraction of the Rhodes Yates-Seven Rivers Oil Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Sections 4, 5, and 6: All
 Section 7: E/2
 Section 8: N/2, E/2 SE/4, SW/4 SE/4, and SE/4 SW/4
 Section 9: All
 Section 10: S/2
 Sections 15 and 16: All
 Section 17: NE/4, E/2 SE/4, and E/2 W/2
 Section 21: N/2 N/2, SW/4 NW/4, and SE/4 NE/4
 Section 22: N/2, N/2 SE/4, SE/4 SE/4, and NE/4 SW/4
 Section 23: S/2

- (c) Extension of the Scarborough-Yates-Seven Rivers Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 6: SW/4 SW/4
 Section 29: NE/4

- (d) Creation of the Rhodes-Yates-Seven Rivers Gas Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 4: All

Section 5: E/2

Section 8: NE/4, E/2 SE/4, SW/4 SE/4, and
SE/4 SW/4

Section 9: All

Section 10: W/2

Section 14: SW/4

Section 15 and 16: All

Section 17: NE/4, E/2 W/2, and E/2 SE/4

Section 21: N/2 N/2, SE/4 NE/4, and SW/4 NW/4

Section 22: N/2, N/2 SE/4, SE/4 SE/4, and NE/4 SW/4

Section 23: S/2

Memo

From

Ola Garcia

Secretary

To

Bate sent a ~~proposed~~ project

Order Case 7416. N.E.

has three men

Changes in acreage

Item no. 1 on page 2
Sec 21 N/2 N/2, SW/4 NW/4,
SE/4 NE/4

Sec. 22 N/2, NE/4 SW/4,
N/2 SE/4, SE/4 SE/4

Sec. 23 W/2 NW/4, S/2

Memo

From

Ola Garcia

Secretary

To

(4) on Page 3

Stand & Line after
what was written

T-26-S, R-37-E,

N M P M between #
and sec. #'s

In the findings we
should have a finding
that says:
The applicant ~~proposes~~ ^{proposes}
to produce the remaining

Memo

From

Ola Garcia

Secretary

To

gas unrestrictedly
depletion
to depletion

12/14/81

Memo

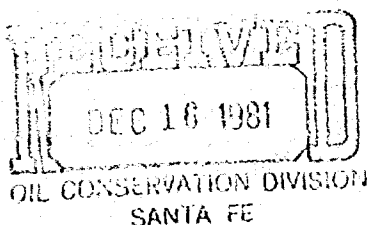
From

MELBA CARPENTER
Oil Conservation Staff
Specialist

To Dick

Babe Kendrick sent us a copy of a proposed order for Case No. 7416 (Rhodes/Jalmat).

I'm sure that you have caught this, but just in the event that you have not--they suggested that the vertical limits of the Rhodes Gas Pool be from the top of the Tansill to the base of the Seven Rivers. Since the proposed horizontal limits of the Rhodes Gas Pool will overlies the Langlie Mattix in Sec. 4, T-26-S, R-37-E, there would be a conflict.



County, _____

Township _____

Range _____

Township _____

Range _____

Township _____

Range _____

Township _____

Range _____

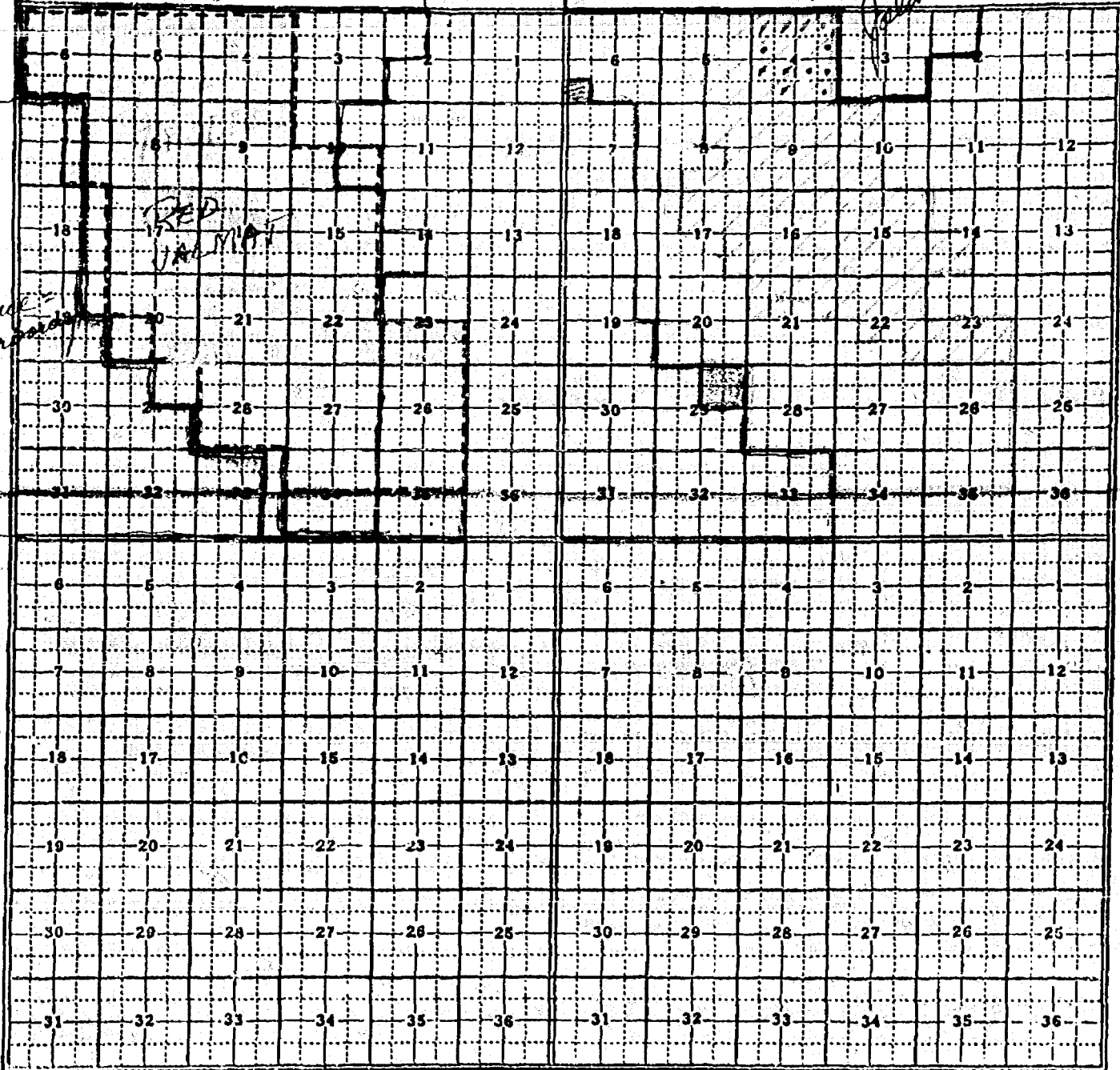
Form 104- (Four on Township)

Old Rhodes & Paul

*Meeting
oil wells
Polmet*

*RED
JANUARY*

*Blue
Scarp*



COUNTY

Law

TOWNSHIP

RANGE 37-East

NMPM

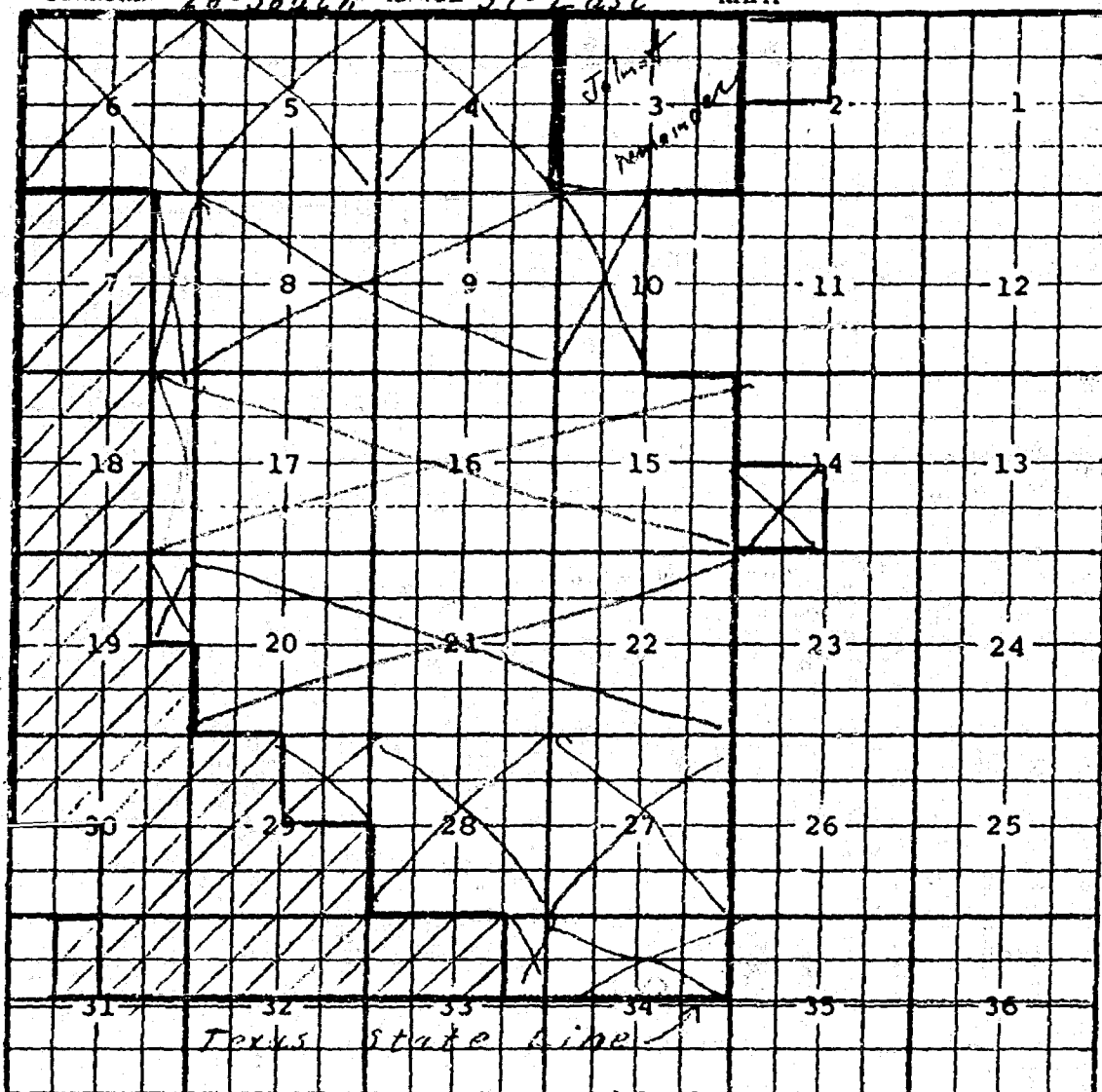
(T-Y-SR)

TOWNSHIP

26-South

RANGE 37-East

NMPM



Description: $\frac{1}{2}$ Sec. 3; All Secs. 4, 5, 6, 7, 8, 9; $\frac{1}{2}$ Sec. 10; All Secs. 15 thru 22; Secs. 27, 28 & 29; $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 30; $\frac{1}{2}$ Sec. 31; All Secs. 32, 33 & 34, (R-520, 8-12-54); $\frac{1}{2}$ Sec. 3, (R-486, 4-29-57); Lot 34 NE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 31 (R-2870, 3-1-65)

Contraction: $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 7; $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 18; NW $\frac{1}{4}$, NE $\frac{1}{4}$ & S $\frac{1}{4}$ Sec. 19; $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 29; $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 30; $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 31; All Sec. 32; $\frac{1}{2}$ & $\frac{1}{4}$ Sec. 33 (R-2999, 11-23-65)

Ext: SW $\frac{1}{4}$ Sec. 14 (R-3389, 4-1-68) Ext: NW $\frac{1}{4}$ Sec. 2 (R-5143, 2-1-76)

Page from Nomenclature book

Orange Xs are deletions

COUNTY *Lea*POOL *Rhodes**(4-SR)*

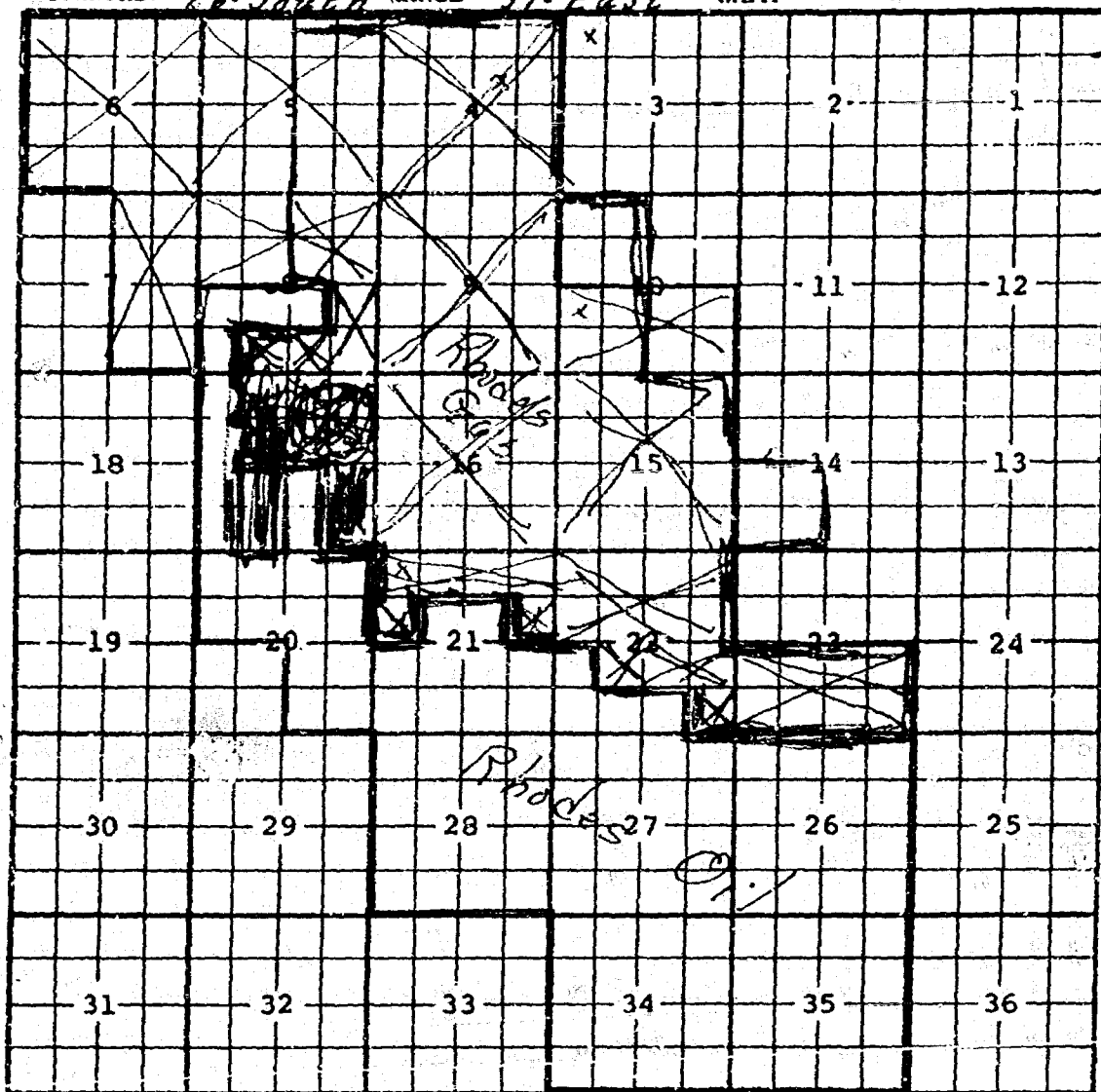
TOWNSHIP

26-South

RANGE

37-East

NMPM



*Description: All Secs. 4, 5, 6; $\frac{1}{2}$ Sec. 7; All Secs. 8, 9;
 $\frac{1}{2}$ Sec. 10; All Secs. 15, 16, 17; $\frac{1}{2}$ $\frac{5}{8}$ $\frac{1}{4}$ Sec. 20; All Secs.
 21 & 22; $\frac{1}{2}$ Sec. 23; All Secs. 24, 27, 28, 34 & 35.
 Ord. No. 850*

*Page from Nomenclature Book old pool outlined
 Orange new Rhodes Gas*

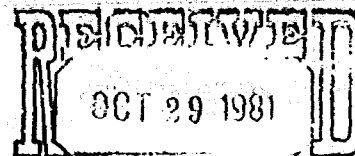
Black Xs are deletions

New black outline is Rhodes O.I.

El Paso NATURAL GAS
COMPANY

P. O. BOX 1450
EL PASO, TEXAS 79716
PHONE 915-543-7600

October 28, 1981



OIL CONSERVATION DIVISION
SANTA FE

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 7416

Dear Sir:

El Paso Natural Gas Company (El Paso) respectfully requests that a hearing be set before the Commission or one of the Examiners on November 19, 1981. El Paso seeks an order reducing the horizontal limits of the Jalmat Gas Pool (Tansill-Yates-Seven Rivers); enlarging the horizontal limits of the Scarborough Yates-Seven Rivers Pool and separating the Rhodes Pool (Yates-Seven Rivers) into a Rhodes Oil Pool and a Rhodes Gas Pool, all in Township 26South, Range 37East, N40W, Lea County, New Mexico.

El Paso further proposes to change the horizontal boundary of the Rhodes Gas Storage Unit to eliminate certain acres and wells not participating in the Rhodes Gas Storage area.

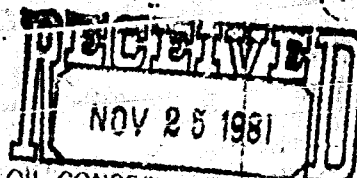
El Paso further seeks an order to establish a new gas pool to be designated the Rhodes Gas Pool. El Paso seeks permission to withdraw unrestrictedly all remaining gas from the Rhodes Gas Pool.

If there are any questions regarding this application, please contact us.

Yours truly,

E. R. Manning
E. R. Manning

je



OIL CONSERVATION DIVISION
SANTA FE

7416

Lee Ayers

11-19-81

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE RHODES AREA

This agreement, entered into as of the 1st day of January, 1944, by and between the parties subscribing or consenting hereto,

WITNESSETH:

WHEREAS, the parties subscribing or consenting hereto are the owners of operating, royalty, or other oil or gas interests in the Rhodes unit area hereinafter defined;

WHEREAS, it is the purpose of the parties hereto to conserve the natural resources, prevent avoidable waste, and obtain the other benefits obtainable through development and operation of said unit area (or the part thereof made subject to this agreement) under the terms, conditions, and limitations hereinafter set forth, under and pursuant to the provisions of sections 17, 27 and 32 of the act of Congress, approved February 25, 1920, entitled "An act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain," 41 Stat. 443; 448, 450, as amended or supplemented by the acts of March 4, 1931, 46 Stat. 1525, and August 21, 1935, 49 Stat. 677, 678; 30 U. S. C. 226, 184 and 189;

NOW, THEREFORE, in consideration of the premises and the promises hereinafter contained, the parties hereto and the parties consenting hereto agree among themselves and with the

Secretary of the Interior as follows:

ENABLING ACT
AND
REGULATIONS

1. The act of February 25, 1920, supra, as amended, and all pertinent regulations heretofore and all pertinent and reasonable regulations hereafter issued thereunder, including operating regulations, are accepted and made a part of this agreement.

UNIT AREA

2. The following described lands shown on the map attached hereto are hereby designated and recognized as constituting the Rhodes unit area:

Section 4: W/2 N/2; E/2 SW/4; W/2 SE/4; NE/4 SE/4

Section 5: All

Section 6: NE/4 NW/4; NE/4; N/2 SE/4; SE/4 SE/4

Section 7: NE/4 NE/4

Section 8: NE/4; N/2 SW/4; SE/4 SW/4; E/2

Section 9: All

Section 10: NW/4 NW/4; S/2 NW/4; S/2

Section 15: All

Section 16: All

Section 17: E/2; E/2 NE/4

Section 20: E/2

Section 21: All ✓

Section 22: All

Section 23: SW/4 NW/4; SW/4

Section 26: All

Section 27: All

Section 28: All

Section 29: E/2 NE/4

All in Township 26 South, Range 37 East, N.M. Meridian.

Total 8,520 Acres.

The above described unit area may be modified upon application by the Group 1 Unit Operator hereinafter referred to and by the unit operator or operators for the unitized substances in Group 2 and Group 3, or, if there be no unit operator for the unitized substances in both or either of said Groups, then the owners of the operating rights as to unitized substances in the Group for which there is no unit operator upon the majority of the lands then subject to this agreement, and with the approval of the Secretary of the Interior, (to include additional land reasonably regarded as necessary or desirable for the purposes of this agreement or to exclude land reasonably proved to be unnecessary for such purposes. Such increase or decrease shall be effective as of the first of the month following approval.

LANDS SUBJECT
TO
THIS AGREEMENT

3. All tracts within the unit area as to which the oil and gas operating rights are committed to this agreement constitute the lands subject to this agreement. Signature hereof or consent hereto by any person commits to this agreement the interests (whether operating rights or other interests) specified opposite such person's signature hereof or specified in such person's consent hereto.

UNITIZED
SUBSTANCES

4. All oil, gas, natural gasoline, and associated fluid hydrocarbons in lands subject to this agreement in any and all sands or horizons are unitized under the terms of this agreement and are hereinafter called "unitized substances".

SEGREGATION
OF UNITIZED
SUBSTANCES

5. It is the intent and purpose of the parties to this agreement that the unitized substances shall be subject to development and operation in separate groups as follows:

Group 1. Gas (including casinghead gas) in any and all sands at or above a depth of 4,000 feet from the ground surface, whether such gas is now in place or is hereafter injected.

Group 2. Oil in any and all sands at or above a depth of 4,000 feet from the ground surface.

Group 3. All unitized substances below a depth of 4,000 feet from the ground surface.

GROUP 2
AND/OR
GROUP 3
UNIT OPERATOR
OR OPERATORS

6. No Unit Operator has been appointed for the unitized substances in Group 2 and/or Group 3, nor need be unless the appointment of such a Unit Operator be demanded by the Secretary.

The terms and conditions for the development and operation of unitized substances in Group 2 and/or Group 3 shall (unless and until a plan for their development be established as below provided) be deemed to be the terms and conditions of the leases, contracts, and other agreements under which said unitized substances are now being developed and operated, except insofar as said leases, contracts or other agreements may require adjustment or modification to conform with the herein provided terms and conditions.

The holders of the operating rights as to the unitized substances in Group 2 and Group 3, or either, may at any

time select, and they agree upon demand of the Secretary promptly to select a Unit Operator for the unitized substances in Group 2 and Group 3, or either, and in either such case they shall also submit a schedule showing a method of allocation of benefits and costs of operations as to said unitized substances and the ratio of apportionment thereof among the parties entitled to such benefits or chargeable with such costs. After approval by the Secretary of the Unit Operator so selected, and of the schedule so submitted, and within 30 days after demand by the supervisor, said Unit Operator shall submit for the approval of the Supervisor a plan of development and/or operation for the unitized substances in Groups 2 and/or 3, which plan or plans, when so approved, shall constitute the further drilling and operating obligations of said Unit Operator for the unitized substances involved. Said plan or plans shall be as nearly complete and adequate as the Supervisor may determine to be necessary and advisable to conserve properly the unitized substances covered by such plan or plans. Said plan or plans may be modified from time to time upon approval of said Supervisor, or at the direction of said Supervisor, to meet changed conditions, and the further obligations of the Unit Operator or Operators involved shall be conformed thereto.

GROUP 1
UNIT
OPERATOR

7. El Paso Natural Gas Company is hereby designated as unit operator for Group 1 unitized substances, hereinafter designated as Group 1 Unit Operator, and by signature hereof commits to this agreement all interests vested in it in lands within the unit area and agrees

to accept the duties and obligations of such unit operator to conduct and manage the operation of the lands subject to this agreement for the development, storage and production of Group 1 unitized substances as herein provided.

SUCCESSOR
UNIT
OPERATOR

8. Whenever a Unit Operator for a Group or groups of unitized substances designated under this agreement shall be removed or shall relinquish his rights as Unit Operator under this agreement, the owners of the majority of operating rights as to such group or groups of unitized substances according to their total acreage interests in the lands subject to this agreement as to such group or groups shall select a new unit operator for such group or groups of unitized substances. Such selection shall not become effective until (a) the unit operator so selected shall accept the duties and responsibilities of such unit operator and (b) the selection shall have been approved by the Secretary. Any unit operator shall be subject to removal for failure to perform effectively his duties and obligations as Unit Operator hereunder on notice by the Secretary, such notice to be given only after reasonable opportunity has been given to correct any specified default in performance.

The right to relinquish all rights as a unit operator may be exercised whenever said operator is not in default under this agreement but no Unit Operator shall be relieved from his duties and obligations as Unit Operator for a period of six months after notice of intention to relinquish such duties and obligations has been served by him on all other parties hereto

holding operating rights in respect to the unitized substances involved and the Secretary, unless a new operator shall have been selected and shall have taken over and assumed the duties and obligations of such Unit Operator prior to the expiration of said period. At any time prior to the date on which relinquishment by or removal of a Unit Operator becomes effective, the owners of operating rights as to the unitized substances involved or a duly qualified new Unit Operator may elect to purchase on reasonable terms all or any part of the preceding Unit Operator's equipment, material, and appurtenances in or upon the lands subject to this agreement, provided that, no such equipment, material, or appurtenances so selected for purchase shall be removed pending determination of reasonable terms of purchase. Any equipment, material, and appurtenances not so purchased and not so necessary for the preservation of wells may be removed by the retiring Unit Operator at any time within six (6) months after the relinquishment or removal becomes effective, but if not so removed shall become the joint property of the owners of the operating rights as to the unitized substances involved.

Acquisition or assignment of operating rights pertaining to Federal lands subject to this agreement and the consideration therefor shall be subject to approval by the Secretary.

RIGHTS AND
OBIGATIONS
OF GROUP 1
UNIT OPERATOR

9. The exclusive right, privilege, and duty of exercising any and all rights of the parties signatory hereto which are necessary or convenient for prospecting for, producing

storing and disposing of the Group 1 unitized substances is hereby vested in the Group 1 Unit Operator and shall be exercised by said Unit Operator as provided in this agreement. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and, together with this agreement, shall constitute and define said Unit Operator's rights, privileges, and obligations in the premises; provided, that nothing herein shall be construed to transfer title to any lands, leases, or operating agreements, it being understood that the Group 1 Unit Operator shall have rights of possession and use merely for the purposes herein specified, and for any and all other purposes all existing agreements in respect to Group 1 unitized substances remain in force and effect. Like provisions shall be applicable to Group 2 and/or Group 3 unitized substances if and when a unit operator or operators for those substances are selected as herein provided.

The Group 1 Unit Operator shall pay all costs and expenses of operations with respect to the development, storage and recovery of Group 1 unitized substances.

PLAN OF
OPERATION
AS TO GROUP 1
UNITIZED
SUBSTANCES

10. The Group 1 Unit Operator is authorized to shut-in or produce the unitized substances in Group 1, or supplement such substances by injection of gas, according to a plan of development and/or operations which shall be submitted by said Unit Operator for approval by the Oil and Gas Supervisor within 30 days after approval of this agreement and when

so approved shall constitute the obligations of said Unit Operator for development and operation of such unitized substances; provided that said plan shall be subject to modification from time to time at the option of said Unit Operator subject to like approval; and provided further that the Oil and Gas Supervisor may require that a new plan of development and/or operations shall be submitted when, in his opinion, such action is necessary and advisable in the public interest.

ALLOCATION
OF GROUP 1
UNITIZED
SUBSTANCES

11. Group 1 unitized substances, as and when produced, will be deemed to be produced equally on an acreage basis from all the lands subject to this agreement and will be allocated to the several tracts in the ratio that the total acreage of each bears to the total acreage subject to this agreement.

PAYMENTS OF
ROYALTIES
ON GROUP 1
UNITIZED
SUBSTANCES

12. Group 1 Unit Operator, on behalf of the respective lessees, shall pay all royalties due the United States, and the State of New Mexico, and others entitled thereto, on account of Group 1 unitized substances; provided, that if said Unit Operator defaults in any such payments and no bond has been posted by said Unit Operator which is adequate to cover such default, or when there is no Group 1 Unit Operator, the obligation to pay royalties on Group 1 Unitized Substances shall rest upon the respective lessees.

ROYALTIES
AND RENTALS

13. (a) Royalties on Group 1 unitized substances payable to the United

States shall be:

(1) A royalty of 3.79 per cent on the value of the gas as to production thereof allocated to Federal lands for a period of 25 years subject to the provisions of the following paragraphs of this section, regardless of whether the production was originally in place or was injected by Group 1 Unit Operator, and thereafter the lease rates shall prevail unless a modification of such rates is agreed upon by the Secretary of the Interior and Group 1 Unit Operator.

(2) Royalties on gasoline or other liquid hydrocarbons allocated to Federal lands shall be paid at the lease rates.

(3) If for any reason Group 1 Unit Operator does not inject into sands or horizons containing Group 1 unitized substances a total of 65,000,000 M.c.f. of gas within 15 years from the effective date hereof or if, upon the permanent discontinuance of the injection of gas, Group 1 Unit Operator has failed to inject 65,000,000 M.c.f., the rate of royalty due the United States on the gas recovered from the production of Group 1 unitized substances shall be 3.79 per cent plus that percentage of 6.54 per cent which the difference between 65,000,000 M.c.f. and the amount of such gas injected bears to 65,000,000 M.c.f.

(4) If the total volume of gas produced per acre equals the amount injected per acre plus 4,136 M.c.f. per acre at 15.025# pressure base, the rate of Federal royalty on all subsequent production shall be at the lease rates.

13. (b) Royalties for Groups 2 and 3 unitized substances payable to the United States shall be paid

at the rates specified in the respective leases subject to this agreement. If and when such substances are produced under a plan of development and/or operation approved pursuant to this agreement, said royalties shall be computed on the basis of the amount or value of production allocated to said leases.

13. (c) Rental for lands of the United States subject to this agreement shall be paid at the rates specified in the leases, except that, as to leaseholds determined by the Secretary of the Interior to be valuable only for storage or production of Group 1 unitized substances, the rental shall be paid at an annual rate of 25 cents an acre during the first 25 years following the effective date of this agreement. In any and all events, the leases shall be deemed to be in a status of operating leases while being used for storage of Group 1 unitized substances.

CONSERVATION

14. All operations shall be conducted so as to provide for the most economical and efficient recovery of unitized substances to the end that maximum ultimate yield may be obtained without waste, and for the purpose of more properly conserving the natural resources, the production of unitized substances at all times shall be without waste as defined by State or Federal law; and production from gas wells shall be limited to such quantity as can be put to beneficial use with adequate realization of fuel values; and, in the discretion of the Secretary of the Interior, production of unitized substances shall be limited by the beneficial demand as deter-

DRAINAGE

15. Any Unit Operator shall take appropriate and adequate measures to prevent drainage of the unitized substances as to which he is Unit Operator from the unitized lands by wells not on the lands subject to this agreement, or, with approval of the Secretary of the Interior, pay a fair and reasonable compensatory royalty as determined by the Supervisor.

LEASES AND
CONTRACTS
CONFORMED
TO AGREEMENT

16. The parties hereto or consenting hereto holding Federal leases subject to this agreement, consent that the Secretary shall, and said Secretary, by his approval of this agreement, does, establish, alter, change or revoke the drilling, producing, royalty and rental requirements of such leases and the regulations in respect thereof, to conform said requirements to the provisions of this agreement.

The Secretary further agrees, consents and determines that during the effective life of this agreement, the prospecting, drilling, and producing operations performed upon any lands subject hereto will be accepted and deemed to be operations under and for the benefit of all such leases; that suspension of operations or production on any such lease shall be deemed not to have occurred if there be operations or production on any part of the lands subject hereto; and that suspension of all operations and production on said lands pursuant to any approved plan of development and/or operation or to the direction or consent of said Secretary, shall be deemed to constitute such suspension with respect to each such lease; and no such lease

shall be deemed to expire by reason of such approved suspension.

All agreements by and between the parties hereto or consenting hereto are hereby modified or amended to the extent that such agreements are not consistent herewith and in case of any conflict the terms of this unit agreement shall prevail.

The parties hereto owning rights in any Federal oil and gas lease which covers lands part of which are within, and part of which are outside, the Rhodes Unit Area described in this agreement, by their signature hereto hereby consent and agree that lands covered by any such lease located outside said Rhodes Unit Area will, upon request of the Secretary of the Interior, be made subject to any future unit agreement approved or prescribed by the Secretary.

COVENANTS
RUN
WITH LAND

17. The covenants herein run with the land until this agreement terminates, and any grant, transfer, or lease of interest in lands or leases subject hereto shall be conditioned on the assumption of all privileges and obligations hereunder by the grantee, transferee, lessee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary.

EFFECTIVE DATE
AND TERM

18. This agreement upon approval by the Secretary shall be deemed to have become effective as of January 1, 1944, and shall terminate two (2) years after said effective date unless (1) gas has been or is being injected into the horizons containing Group 1 unitized substances, as herein provided, or (2) a plan for the development and operation of Group 2 or Group 3 unitized substances has been established, pursuant to section (6) hereof,

provided that this agreement may be terminated by the Secretary of the Interior upon request of Group 1 Unit Operator and the unit operator or operators for unitized substances in Groups 2 and 3, or, if there be no unit operator for unitized substances in said Groups or either of them, then the owners of the operating interests as to unitized substances as to which there is no unit operator upon the majority of the lands then subject to this agreement, after notice of intention to request such termination has been served on all parties in interest who are not parties to the request for such termination.

REGULATION
OF DEVELOPMENT
AND PRODUCTION

19. All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute; provided that the Secretary is vested with authority, pursuant to the mineral leasing act, to alter or modify from time to time in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

DETERMINATIONS
BY OPERATOR AND
REVIEW THEREOF

20. Operator shall determine all matters involved in this agreement for which a different method of determination is not herein established; provided that Operator shall give timely notice of all such

determinations to all interested parties, including the Secretary; provided further, that all such determinations may be reviewed by the Secretary on his own initiative or on written request of any interested party, notice of any such review to be given to all interested parties, including Operator, within 60 days after receipt of notice of Operator's determination; and provided further, that any matters so reviewed, on request or consent of Operator, may be submitted to a committee of three competent persons appointed by said Secretary, one on nomination of Operator, one on nomination of the other interested parties, and the third on nomination of the first two; the cost of such committee to be a cost of operation and its report (which shall be binding on the committee when concurred in by any two of its members) shall be submitted to said Secretary, the Operator, and other interested parties; and provided further, that opportunity shall be given in said review for all interested parties to present their contentions and supporting evidence by written or oral communication to said committee or said Secretary, and that after consideration of all credible evidence, said Secretary shall render a reasonable decision based thereon and in conformity therewith, which decision, so made and rendered, shall be final and binding on all parties hereto or consenting hereto.

"Operator", as used in this Section 20, means (a) where unitized substances in Group 1 are concerned, the Group 1 Unit Operator; (b) where unitized substances in Groups 2 and 3 are involved, the unit operator or operators for such substances, or, if there be no unit operator for the unitized substances

in both or either of said groups, then the owners of the operating interests as to the unitized substances for which there is no unit operator upon the majority of the lands then subject to this agreement; and (c) where unitized substances in Groups 1, 2 and 3 are involved, the Group 1 Unit Operator and the unit operator or operators for unitized substances in Groups 2 and 3, or if there be no such unit operator for the unitized substances in Groups 2 and 3 or either of them, the owners of the operating interests as to the unitized substances in said groups or group upon the majority of the lands then subject to this agreement.

BOND

21. Any Unit Operator shall furnish within 30 days after approval hereof by the Secretary of the Interior or after his selection and maintain at all times thereafter a bond in the penal sum of \$5,000.00 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this agreement applicable to him, provided that additional bond may be required at any time deemed necessary by the Secretary of the Interior.

22. It is understood and agreed that the calculations upon which the royalty percentages mentioned in paragraphs 1 and 3 of Section 13(a) and the M.c.f. per acre mentioned in paragraph 4 of said Section 13(a) are based on 5,480 acres of Group 1 unitized substances, initially committed to this agreement. If at any time it is mutually agreed to change the number of acres initially included within Group 1 unitized

substances, then the aforesaid royalty percentages and M.c.f. per acre shall be recalculated on the basis of the new acreage and facts appertaining thereto. No change shall be made in the aforesaid royalty percentages and M.c.f. per acre until such changes are mutually agreed upon by the Secretary of the Interior and Group 1 Unit Operator.

COUNTERPARTS

23. This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and set opposite their respective names the date of execution and a list of the lands or interests made subject to this agreement. (Note: When any person executes this agreement in a representative capacity of any type, there should be attached thereto a duly certified or photostatic copy of the instrument(s) setting forth his authority to execute this agreement.)

Date March 13th, 1944
EL PASO NATURAL GAS COMPANY...

By s/ C. C. Crakin
Vice-President

SEAL

Attest: s/ J. F. Franey
Secretary

Sec. 7 : NE $\frac{1}{2}$ NE $\frac{1}{2}$

Oil rights only above 4000' and
all gas rights in:

Sec. 9: SW $\frac{1}{2}$ NE $\frac{1}{2}$

Gas rights only to 4000' depth in:

Sec. 4: NW $\frac{1}{2}$ NE $\frac{1}{2}$; SW $\frac{1}{2}$; NE $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$

Sec. 10: SW $\frac{1}{2}$ SW $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$

Sec. 15: NE $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$; S $\frac{1}{2}$ N $\frac{1}{2}$

Sec. 5: All

Sec. 6: NE $\frac{1}{2}$ SW $\frac{1}{2}$; NE $\frac{1}{2}$; N $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$

Sec. 8: NW $\frac{1}{2}$; N $\frac{1}{2}$ SW $\frac{1}{2}$; SE $\frac{1}{2}$ SW $\frac{1}{2}$; E $\frac{1}{2}$

Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$; W $\frac{1}{2}$; SE $\frac{1}{2}$

Sec. 10: NW $\frac{1}{2}$ NE $\frac{1}{2}$; SE $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 15: S $\frac{1}{2}$

Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 22: All

Sec. 26: All

Sec. 27: E $\frac{1}{2}$

Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37
East, N.M.P. Meridian.

Date Mar. 22 1944, 1944

THE TEXAS COMPANY

By s/ J. S. Leach
J.S. Leach Vice President

Attest: s/ J. B. Duke
SEAL J. B. Duke
Assistant Secretary

Date March 31, 1944

COLUMBIAN CARBON COMPANY

By s/ Reid L. Carr
President

Attest: Geo. L. Bubb
SEAL Asst. Secretary

Date April 6, 1944

AMERADA PETROLEUM CORPORATION

By s/ Allmand E. Blow
Vice Pres.

Attest: s/ L. E. Fitchinson
SEAL Asst. Secy.

Sec. 5: All

Sec. 6: NE $\frac{1}{2}$ NW $\frac{1}{2}$; NE $\frac{1}{2}$; N $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 8: NW $\frac{1}{2}$; N $\frac{1}{2}$ SW $\frac{1}{2}$; SE $\frac{1}{2}$ SW $\frac{1}{2}$; E $\frac{1}{2}$

Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$; W $\frac{1}{2}$; SE $\frac{1}{2}$

Sec. 10: NW $\frac{1}{2}$ NE $\frac{1}{2}$; SE $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 15: S $\frac{1}{2}$

Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$

Sec. 22: All

Sec. 26: All

Sec. 27: E $\frac{1}{2}$

Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37
East, N.M.P. Meridian.

Approved as to terms:

3/16/44 s/ C. R. Williams

(FOUR MILE UNIT—Cont'd.)

CASE NO. 140
Order No. 772

SEC. 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

T. 18 S, R. 18 E

Sec. 1, Lots 7, 8, 9 and 10 and S/2;

Sec. 11, SE/4;

Sec. 12, 13 and 14, all;

Sec. 15, SE/4;

Sec. 21, SE/4;

Secs. 22 and 23, all;

Sec. 24, N/2, SW/4;

Sec. 25, W/2;

Secs. 26 and 27, all;

Sec. 28, E/2;

Secs. 34 and 35, all;

Sec. 36, W/2.

T. 19 S, R. 18 E

Sec. 1, lots 3 and 4, S/2 NW/4, SW/4;

Secs. 2 and 3, all;

Secs. 10 and 11, all;

Sec. 12, W/2, S/2 SE/4;

Secs. 13 and 14, all;

Sec. 16, N/2 NE/4;

Sec. 23, NE/4;

Secs. 24 and 25, all,

in Chaves County, New Mexico, and containing 14,233.96 acres, more or less.

(b) The Unit area may be enlarged or diminished as provided in said Plan.

SEC. 4. That the Unit operator shall file with the Commission an executed original, or executed counterparts thereof, of the "Four Mile Unit" Agreement not later than 30 days after the effective date thereof.

SEC. 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such Agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original of any such counterpart.

SEC. 6. That the order herein shall become effective on the first day of the calendar month next following the approval of the Commissioner of Public Lands and the Secretary of the Interior and shall terminate ipso facto on the termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission in writing of such termination.

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

RHODES (STATE) UNIT

Lea County, New Mexico

Order No. 772. Approving the Rhodes (State) Unit, Lea County, New Mexico, Dated June 23, 1948.

The application of El Paso Natural Gas Company for an order of approval of Rhodes (State) Unit Agreement covering all of Section 16; N $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27; N $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 28 all in Township 28 South, Range 37 East, N.M.P.M. embracing 800 acres more or less in Lea County, New Mexico.

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 10:00 o'clock a.m., May 14, 1948, in Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 23rd day of June, 1948, the Commission having before it for consideration, the testimony adduced at the hearing of said case and being fully advised in the premises;

FINDS: That the proposed unit plan will in principle tend to promote the conservation of oil and gas, prevent waste, and in a measure rectify prior inequities relating to correlative rights.

IT IS THEREFORE ORDERED:

SEC. 1. (a) That the project herein shall be known as the Rhodes (State) Unit Agreement and shall hereinafter be referred to as the "Project."

(b) That the plan by which the project shall be operated shall be embraced in the form of unit agreement for the development and operation of the Rhodes (State) Unit Area referred to in the petitioner's application and filed with said petition and such plan shall be known as the Rhodes (State) Unit Agreement Plan.

SEC. 2. That the Rhodes (State) Unit Agreement Plan shall be and is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval of said agreement shall not be considered as waiving or relinquishing in any manner any rights, duties, or obligations which are now or may hereafter be vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Rhodes (State) Unit Agreement or relative to the production of gas therefrom.

SEC. 3. (a) That the unit area is described as all of Section 16; N $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27; N $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 28; all in Township 26 South, Range 37 East, N.M.P.M., embracing 800 acres, more or less, all of which land is state-owned land under lease to various lessees, and included within a Federal gas unit area.

SEC. 4. That the unit operator for gas to 4000 feet, El Paso Natural Gas Co., shall file with the Commission an executed original or executed counterparts thereof of the Rhodes (State) Unit Agreement bearing signatures of a majority of the lessees, not later than 30 days after the effective date hereof.

SEC. 5. That any party owning rights in the unitized substances, who does not commit such rights to such unit agreement before the effective date thereof, may thereafter become a party thereto by subscribing to such agreement or a counterpart thereof.

SEC. 6. That the order herein shall become effective on the first day of the calendar month next following the approval of the Commissioner of Public Lands and shall terminate ipso facto on the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

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

FILED
OIL CONSERVATION COMMISSION
NEW MEXICO

EPNG 3

CASE NO. 7416

Submitted by LEO AYERS

Hearing Date NOV 19, 1948

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

El Paso Natural Gas Company Notes
CASE NO. 7416
Hearing Date - November 19, 1981

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 6

CASE NO. 7416

Submitted by Lee Ayers

Hearing Date 11-19-81

CHANGES OF RHODES POOL NOMENCLATURE

1. Deletion: W/2 E/2 Section 7, T-26-S, R-37-E
2. Additions: NW/4 Section 10, T-26-S, R-37-E
SW/4 Section 14, T-26-S, R-37-E
W/2 NW/4 Section 23, T-26-S, R-37-E

NOMENCLATURE FOR RHODES -
YATES/SEVEN RIVERS GAS POOL

All following lands are in T-26-S, R-37-E
Lea County, New Mexico

Section 4	All
Section 5	All
Section 8	NE/4, NE/4 SE/4, SE/4 SE/4, SW/4 SE/4, SE/4 SW/4
Section 9	All
Section 10	NW/4, S/2
Section 14	SW/4
Section 15	All
Section 16	All
Section 17	NE/4, E/2 NW/4, E/2 SE/4
Section 21	N/2 N/2, SW/4 NW/4, SE/4 NE/4
Section 22	N/2, NE/4 SW/4, NW/4 SE/4, NE/4 SE/4, SE/4 SE/4
Section 23	S/2, W/2 NW/4

**NOMENCLATURE FOR RHODES -
YATES/SEVEN RIVERS OIL POOL**

All following lands are in T-26-S, R-37-E
Lea County, New Mexico

Section 6	All
Section 7	E/2 E/2
Section 8	NW/4, NW/4 SE/4, N/2 SW/4, SW/4 SW/4
Section 17	SW/4, W/2 NW/4, W/2 SE/4
Section 20	N/2, SE/4
Section 21	S/2, SW/4 NE/4, SE/4 NW/4
Section 22	NW/4 SW/4, S/2 SW/4, SW/4 SE/4
Section 26	All
Section 27	All
Section 28	All
Section 34	N/2
Section 35	N/2

WELLS CHANGED FROM JALMAT TO RHODES

<u>Well</u>	<u>Location</u>	<u>From</u>	<u>To</u>
EPNG - Elliot Fed. #1	F 17-26-37	Jalmat-Gas	Rhodes-Gas
EPNG - Elliot Fed. #2	D 21-26-37	Jalmat-Gas	Rhodes-Gas
EPNG - Elliot Fed. #3	H 17-26-37	Jalmat-Gas	Rhodes-Gas
EPNG - Moberly "C" #3	E 21-26-37	Jalmat-Gas	Rhodes-Gas
EPNG - Farnsworth "C" #2	G 4-26-37	Jalmat-Gas	Rhodes-Gas
Bettis, Boyle & Stovall-Leonard Fed. #8	M 14 26-37	Jalmat-Oil	Rhodes-Gas
Sun - Gregory "B" #1	E 28-26-37	Jalmat-Oil	Rhodes-Oil
Texaco - Shepherd "B" #6	M 6-26-37	Jalmat-Oil	Rhodes-Oil

WELL CHANGED FROM JALMAT TO SCARBOROUGH

<u>Well</u>	<u>Location</u>	<u>From</u>	<u>To</u>
Lewis Burleson - Dale Fed. #1	A 29-26-37	Jalmat-Gas	Scarborough

WELL CHANGED FROM RHODES OIL POOL TO RHODES GAS POOL

<u>Well</u>	<u>Location</u>	<u>From</u>	<u>To</u>
Wood, McShane & Thams-Lineberry #1	O 23-26-37	Rhodes Oil	Rhodes Gas

LIST OF WELLS IN PROPOSED RHODES - Yates/Seven Rivers

GAS POOL

All of the following wells are in Township 26 South, Range 37 East
Lea County, New Mexico

<u>Operator - Well</u>		<u>Unit Section</u>	
1.	EPNG - Bates No. 1	L	10
2.	EPNG - Cagle "A" No. 1	K	9
3.	EPNG - Cagle "A" No. 2	C	9
4.	EPNG - Cagle "B" No. 1	L	15
5.	EPNG - Cagle "B" No. 2	M	15
6.	EPNG - Elliott Fed. No. 1	F	17
7.	EPNG - Elliott Fed. No. 2	D	21
8.	EPNG - Elliott Fed. No. 3	H	17
9.	EPNG - Farnsworth "C" No. 1	N	4
10.	EPNG - Farnsworth "C" No. 2	G	4
11.	EPNG - Gregory "B" No. 1	E	15
12.	EPNG - Moberly "B" No. 1	A	21
13.	EPNG - Moberly "B" No. 2	B	21
14.	EPNG - Moberly "C" No. 3	E	21
15.	EPNG - Rhodes "A" No. 1	C	22
16.	EPNG - Rhodes "A" No. 2	J	22
17.	EPNG - Shepherd "B" No. 4	J	5
18.	EPNG - State "A" No. 1	P	16
19.	EPNG - State "Y" No. 1	H	16
20.	EPNG - Rhodes Gas Unit No. 1	J	9
21.	EPNG - Rhodes Gas Unit No. 2	A	8
22.	EPNG - Rhodes Gas Unit No. 3	A	16
23.	EPNG - Rhodes Gas Unit No. 4	J	16
24.	EPNG - Rhodes Gas Unit No. 6	D	15
25.	EPNG - Rhodes Gas Unit No. 7	F	15
26.	EPNG - Rhodes Gas Unit No. 8	J	15
27.	EPNG - Rhodes Gas Unit No. 9	M	10
28.	EPNG - Rhodes Gas Unit No. 12	P	9
29.	EPNG - Rhodes Gas Unit No. 13	E	9
30.	EPNG - Rhodes Gas Unit No. 14	G	9
31.	EPNG - Rhodes Gas Unit No. 15	H	9
32.	EPNG - Rhodes Gas Unit No. 16	E	10
33.	EPNG - Rhodes Gas Unit No. 17	M	9
34.	EPNG - Rhodes Gas Unit No. 18	D	16
35.	EPNG - Rhodes Gas Unit No. 19	F	16
36.	EPNG - Rhodes Gas Unit No. 20	K	16
37.	EPNG - Rhodes Gas Unit No. 21	M	16
38.	EPNG - Rhodes Gas Unit No. 22	G	8
39.	EPNG - Rhodes Gas Unit No. 23	P	8
40.	EPNG - Rhodes Gas Unit No. 24	N	15
41.	EPNG - Rhodes Gas Unit No. 25	O	15
*42.	EPNG - Shepherd "B" No. 3	A	5
43.	Bottis, Boyle & Stovall - Leonard Fed. No. 8	M	14
44.	Wood, McShane & Thams - Lineberry No. 1	O	23

*Temporarily abandoned well

LIST OF WELLS IN PROPOSED RHODES - Yates/Seven Rivers

OIL POOL

All of the following wells are in Township 26 South, Range 37 East
Lea County, New Mexico

<u>Operator - Well</u>		<u>Unit Section</u>	
1.	EPNG - Lineberry #1	C	28
2.	EPNG - Moberly Rhodes Waterflood Project #1	F	21
3.	EPNG - Moberly Rhodes Waterflood Project #4	J	21
4.	EPNG - Moberly Rhodes Waterflood Project #5	G	21
5.	EPNG - Moberly Rhodes Waterflood Project #7	L	21
6.	EPNG - Moberly Rhodes Waterflood Project #8	N	21
7.	EPNG - Moberly Rhodes Waterflood Project #11	P	20
8.	EPNG - Moberly Rhodes Waterflood Project #12	H	20
*9.	EPNG - Moberly "A" Fed. #1	L	8
10.	Doyle Hartman - State UTP #1	G	28
11.	Koch Exploration Co. - Mary Wills "A" Fed. #1	C	35
12.	Koch Exploration Co. - Mary Wills "A" Fed. #2	D	35
13.	Koch Exploration Co. - Mary Wills "A" Fed. #3	A	34
14.	Koch Exploration Co. - Mary Wills "A" Fed. #4	E	35
15.	Koch Exploration Co. - Mary Wills "A" Fed. #5	F	35
16.	Sun Oil Co. - Gregory #1	E	28
17.	Texaco Inc. - H. G. Moberly A Fed. #1	J	8
18.	Texaco Inc. - H. G. Moberly C Fed. #1	J	17
19.	Texaco Inc. - Rhodes Yates Unit #1	I	21
20.	Texaco Inc. - Rhodes Yates Unit #4	A	28
21.	Texaco Inc. - Rhodes Yates Unit #6	C	27
22.	Texaco Inc. - Rhodes Yates Unit #8	E	27
23.	Texaco Inc. - Rhodes Yates Unit #11	F	27
24.	Texaco Inc. - Rhodes Yates Unit #13	M	27
25.	Texaco Inc. - W. H. Rhodes A Fed. #3	M	22
26.	Texaco Inc. - W. H. Rhodes A Fed. #5	O	22
27.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #1	G	27
28.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #2	J	27
29.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #6	I	27
30.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #8	M	26
31.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #11	K	26
32.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #12	O	26
33.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #13	O	27
34.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #14	E	26
35.	Texaco Inc. - W. H. Rhodes B Fed. NCT-1 #15	A	27
36.	Texaco Inc. - W. H. Rhodes B Fed. NCT-2 #3	I	28
37.	Texaco Inc. - W. H. Rhodes B Fed. NCT-2 #4	P	28
38.	Texaco Inc. - W. H. Rhodes B Fed. NCT-2 #5	J	28

*Temporarily abandoned

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In 1927, the Rhodes Pool, lying just north of the New Mexico-Texas border in T. 26 S, R. 37 E, Lea County, New Mexico, was discovered by the drilling and completion of the Rhodes A #1 well in limit C of Section 22. In 1929, Paul Kaiser founded the El Paso Natural Gas Company and commenced construction of the company's first pipeline for the purpose of transporting the gas produced from the Rhodes Pool to the El Paso, Texas market. Incidentally, this pool has been producing both oil and gas although it has been treated as one common oil reservoir.

Subsequent to the discovery of the Rhodes Pool, adjacent oil and gas pools were discovered in the Permian Basin. The Jalmat Pool was established by Order No. R-520, ^{dated Aug. 24, 1954,} and the Scarborough Pool was established by Order No. R-2999, dated December 1, 1965. The exterior boundaries of both pools were defined with the Jalmat Pool overlapping the entire Rhodes Pool and the Scarborough Pool overlapping a portion of the western part of the Rhodes Pool.

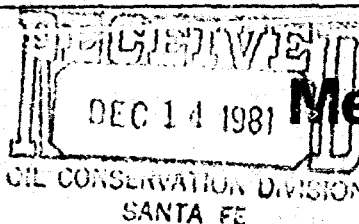
In connection with this country's military effort during World War II, certain voices raised concern that waste was being caused by the flaring of casinghead gas produced from Texas oil fields. However, at the time, there existed insufficient markets for utilizing this gas. With certain foresight, Mr. Kaiser resisted the suggestion that this production should be curtailed so as to prevent waste and he conceived the idea of storing such gas until a market for it became available. Thus, the Rhodes Gas Storage Project was created. On June 29, 1944 El Paso Natural

Gas Company entered into a gas storage agreement with the federal government covering the vast majority of the federal lands within the Rhodes Pool, and subsequently, in 1948, El Paso entered into a gas storage agreement with the State of New Mexico covering almost all the state lands within the Rhodes Pool.

The Rhodes Storage Project has essentially been operated as a gas storage reservoir pursuant to these agreements. However, the ~~limit~~^{unit} area was converted to a production ~~work~~^{mode} from 1966 through 1973 when it was reactivated for gas storage and since that time to present date has been operated as a gas storage reservoir. Primarily due to the fact that today's energy requirements call for substantially larger gas storage reservoirs such as "Washington Ranch," the Federal Energy Regulatory Commission entered an order on April 30, 1981 directing El Paso to abandon utilization of the Rhodes Storage Project as a storage reservoir and permitting El Paso to withdraw all the gas injected into the storage project for gas storage purposes. As a result, by early 1982 the Rhodes Storage Project will be depleted of all its storage gas and will be capable of again producing its remaining native gases. This brief history may help explain the basis for this application today.



El Paso NATURAL GAS
COMPANY



Memorandum

TO: Mr. E. R. Manning

DATE: December 10, 1981

FROM: H. L. Kendrick

PLACE: Production Control Department

Attached is a draft of a proposed Order by the New Mexico Oil Conservation Division for the Rhodes Gas Pool, Lea County, New Mexico.

Please advise me of any additions, deletions, or corrections that need to be made to this draft before submitting it to the New Mexico Oil Conservation Division.

Your comments will be appreciated.

je

Attachment

cc: Messrs. D. E. Adams
M. L. Ayers
P. W. Burchell
D. J. Dwyer
D. L. Larson
J. B. Magruder
J. P. Nance

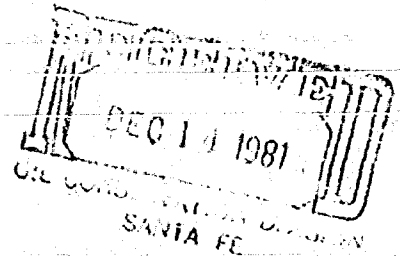
Owen Lopez - Santa Fe, New Mexico

blind cc

R. L. Starnes

Blg

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. 7416

Order No. R-_____

APPLICATION OF EL PASO NATURAL GAS COMPANY
FOR POOL CREATION AND REDELINEATION,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9:00 am on November 19, 1981,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

Now on this _____ day of December, 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 the applicant, El Paso Natural Gas Company, seeks an order
for the creation of a new pool in Lea County, New Mexico, for the production
of gas from the Yates formation, said pool to bear the designation of Rhodes
Gas Pool.

(3) That there is presently an overlap of pool boundaries between the
Jalmat, Rhodes and Scarborough Pools.

(4) That certain areas of each pool should be redelineated to eliminate
the overlap of pool boundaries.

(5) That approval of the subject application will afford the applicant
to produce his just and equitable share of the gas in the Rhodes 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.

(6) That the effective date of this order should be the date signed by the Director.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as a gas pool for Yates-Seven-Rivers production is hereby created and designated the Rhodes Gas Pool, consisting of the following described area:

Township 26 South, Range 37 East, NMPM

Section 4 all
Section 5 all
Section 8 NE/4, E/2 SE/4, SW/4 SE/4
SE/4 SW/4
Section 9 all
Section 10 NW/4, S/2
Section 14 SW/4
Section 15 all
Section 16 all
Section 17 NE/4, E/2 NW/4, E/2 SE/4
Section 21 N/2 N/2, SW/4 NW/4, SE/4 NE/4
Section 22 N/2, NE/4 SW/4, N/2 SE/4, SE/4, SE/4
Section 23 W/2, NW/4, S/2

(2) That the Rhodes Pool, Lea County, New Mexico is hereby redefined to contain the following acreage:

Township 26 South, Range 37 East, NMPM

Section 6 N/2, SE/4
Section 7 E/2 E/2
Section 8 NW/4, NW/4 SE/4, N/2 SW/4, SW/4 SW/4
Section 17 W/2 NW/4, SW/4, W/2 SE/4
Section 20 N/2, SE/4
Section 21 S/2, SE/4 NW/4, SW/4 NE/4
Section 22 S/2 SW/4, NW/4 SW/4, SW/4 SE/4
Section 26 all
Section 27 all
Section 28 all
Section 34 all
Section 35 all

(3) That the horizontal limits of the Scarborough Yates-Seven-Rivers Pool, Lea County, New Mexico, are hereby expanded to include the following described area:

SW/4 Section 6, Township 26 South, Range 37 East, NMPM

(4) That the horizontal limits of the Jalmat Gas Pool in Lea County, New Mexico, are hereby contracted to delete the following area:

Township 26 S, Range 37 East, NMPM

Section 4 all
Section 5 all
Section 6 all
Section 7 E/2 E/2
Section 8 all
Section 9 all
Section 10 W/2
Section 14 SW $\frac{1}{4}$
Section 15 all
Section 16 all
Section 17 all
Section 18 E/2 E/2
Section 19 E/2 NE/4
Section 20 all
Section 21 all
Section 22 all
Section 27 all
Section 28 all
Section 29 NE/4
Section 33 E/2 E/2
Section 34 all

IT IS FURTHER ORDERED:

Rule 1. Each well completed or recompleted in the Rhodes Gas Pool shall be located on a standard unit containing 640 acres, more or less, consisting of a single governmental section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 2. That non-standard gas well locations be and the same are hereby approved for all such wells in said pool as were drilled or were drilling on unorthodox gas-well locations prior to November 19, 1981.

RULE 3. That the vertical limits of the Rhodes Gas Pool shall be from the top of the Tansill Formation the base of the Seven-Rivers Formation, thereby including all of the Yates Formation.

IT IS FURTHER ORDERED:

(1) That the effective date of this order and all creations, deletions and extensions included herein shall be December _____, 1981.

(2) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

Dockets Nos. 38-81 and 39-81 are tentatively set for December 2, and December 15, 1981. Application for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - NOVEMBER 19, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1981, from fifteen prorated pools in Lea, Eddy and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for December, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7410: Application of B.O.A. Oil & Gas Company for two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 2035 feet from the South line and 2455 feet from the East line and one to be drilled 2455 feet from the North line and 1944 feet from the East line, both in Section 31, Township 31 North, Range 15 West, Verde-Gallup Oil Pool, the NW/4 SE/4 and SW/4 NE/4, respectively, of said Section 31 to be dedicated to said wells.

CASE 7356: (Continued from October 21, 1981, Examiner Hearing)

Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the W/2 SW/4 of Section 12, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, 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 7411: Application of Viking Petroleum, Inc., for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the North and East lines of Section 12, Township 11 South, Range 27 East, the NE/4 of said Section 12 to be dedicated to the well. (This case will be dismissed).

CASE 7412: Application of Gulf Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Yates, Queen, San Andres and Delaware formations in the open hole interval from 4175 feet to 7452 feet in its Lea "2D" State Well No. 1 located in Unit M of Section 30, Township 13 South, Range 35 East, Air-Strip Field.

CASE 7413: Application of Gulf Oil Corporation for Directional Drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Arnett Ramsey Well No. 12, the surface location of which is 500 feet from the South line and 1400 feet from the East line of Section 32, Township 25 South, Range 37 East, to a bottomhole location within 150 feet of a point 500 feet from the South line and 800 feet from the East line of Section 32, Township 25 South, Range 37 East, Langlie Mattix Pool, the SE/4 SE/4 of said Section 32 to be dedicated to the well.

CASE 7414: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Wantz-Granite Wash production in the wellbore of its Hugh Well No. 10, located in Unit C of Section 14, Township 22 South, Range 37 East.

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CASE 7415: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Tubb and Drinkard production in the wellbore of its T. R. Andrews Well No. 3, located in Unit J of Section 32, Township 22 South, Range 38 East.

CASE 7379: (Continued from October 21, 1981, Examiner Hearing)

Application of JEM Resources, Inc., for vertical pool extension and special GOR limit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the vertical extension of the Cave-Grayburg Pool to include the San Andres Formation, and the establishment of a special gas-oil ratio limit for said pool to 6000 to one or, in the alternative, the abolishment of the gas-oil ratio limit in said pool, all to be effective October 1, 1981.

CASE 7407: (Continued from November 4, 1981, Examiner Hearing)

Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the NE/4 of Section 23, Township 5 South, Range 24 East, 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 7416: Application of El Paso Natural Gas Company for pool creation and redelineation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to contract the horizontal limits of the Jainat Gas Pool by deleting therefrom all lands in Township 26 South, Range 37 East. Applicant also proposes to contract the horizontal limits of the Rhodes Yates - Seven Rivers Oil Pool by deleting therefrom all of the gas productive lands in the North end thereof and to create the Rhodes Yates-Seven Rivers Gas Pool comprising all such deleted lands. Applicant further proposes the deletion of certain oil productive lands from said Rhodes oil pool and the extension of the Scarborough Pool to include said lands. Applicant further proposes to contract the horizontal boundaries of the Rhodes Gas Storage Unit to delete certain lands and wells not participating in the Rhodes Gas Storage Project and to withdraw without restriction all gas remaining in the newly created Rhodes Gas Pool.

CASE 7417: (This case will be dismissed.)

Application of Northwest Pipeline Corporation for 13 non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for 13 non-standard Pictured Cliffs gas proration units ranging in size from 142.39 acres to 176.77 acres and each comprised of various contiguous lots or tracts in Sections 4, 5, 6, 7, and 18 of Township 31 North, Range 7 West. Said proration units result from corrections in the survey lines on the North and West sides of Township 31 North, Range 7 West and overlap seven non-standard Mesavero proration units previously approved by Order No. R-1066.

CASE 7418: Application of Morris R. Antweil for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Nadine-Drinkard Pool including a special gas-oil ratio of 6,000 to one.

CASE 7419: Application of Morris R. Antweil for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Nadine-Blinebry pool including a special gas-oil ratio of 4,000 to one.

CASE 7420: Application of Southland Royalty Company for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of two previously drilled wells, the first being 760 feet from the South line and 660 feet from the East line of Section 5 the other being 660 feet from the North and West lines of Section 9, both in Township 19 South, Range 35 East, both to be plugged back to the Scharb-Bone Springs Pool, the S/2 SE/4 of Section 5 and the N/2 NW/4 of Section 9, respectively, to be dedicated to the wells.

CASE 7421: Application of Doyle Hartman for compulsory pooling, unorthodox well location and non-standard spacing unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying a 120-acre non-standard spacing unit consisting of the S/2 SW/4 and the NW/4 SW/4 of Section 3, Township 20 South, Range 37 East, to be dedicated to a well to be drilled at an unorthodox location 2,310 feet from the South line and 330 feet from the West line of Section 3. 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.

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- CASE 7422: Application of Conoco, Inc. for dual completion and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Southeast Monument Unit Well No. 121, to produce oil from the Skaggs Grayburg and an undesignated Paddock pool through parallel strings of tubing. Applicant further seeks approval of the unorthodox location of said well 1310 feet from the North line and 1330 feet from the West line of Section 19, Township 20 South, Range 38 East, the NE/4 NW/4 of said Section 19 to be dedicated to the well.
- CASE 7423: Application of Conoco, Inc., for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for three companies to institute a cooperative waterflood project in the Blinebry oil and gas pool by the injection of water into the Blinebry formation through 13 injection wells located on leases operated by Conoco, Shell Oil Company, and Southland Royalty Company, in Sections 33 and 34, Township 20 South, Range 38 East, and Sections 2 and 3, Township 21 South, Range 37 East.
- CASE 7424: Application of Rice Engineering and Operating, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower San Andres formation in the perforated interval from 4300 feet to 4852 feet in its Eunice-Monument Eumont SWD "G" Well No. 8, located in Unit G of Section 8, Township 20 South, Range 37 East.
- CASE 7425: Application of H. L. Brown, Jr. for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the San Andres formation to the base of the Pennsylvanian formation underlying the S/2 of Section 36, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at an unorthodox location 554 feet from the South and West lines of said Section 26, provided that in the event the subject well encounters production in the Casey-Strawn Pool and/or the West Knowles-Drinkard Pool, the lands pooled would be the W/2 SW/4 of said Section 26. 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 7426: Application of Phillips Petroleum Company for Amendment of Division Order No. R-5897 and certification of a tertiary recovery project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the Amendment of Division Order No. R-5897, to include the injection of carbon dioxide in the previously authorized pressure maintenance project in the East Vacuum Grayburg-San Andres Unit, for conversion of existing injectors to water/carbon dioxide injection, and for certification to the Secretary of the IRS that the East Vacuum Grayburg-San Andres Unit Project is a qualified tertiary oil recovery project.
- CASE 7427: Application of Belco Petroleum Corporation for a special allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an adjustment to the manner in which allowables are calculated for wells in the South Carlsbad-Morrow Gas Pool in order to grant relief to the over-produced status of its Douglas Com. Well No. 1 located in Unit H of Section 7, Township 22 South, Range 27 East, said well being subject to shut-in being more than six times the allowable over-produced. In the alternative, applicant seeks to make up the over-production at a rate less than complete shut-in by curtailing production from the well to 80 percent of its top allowable until it is back in balance.
- CASE 7428: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, and extending certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the North Antelope Ridge-Wolfcamp Gas Pool. The discovery well is J. C. Williamson Triple A Federal Well No. 1 located in Unit F of Section 10, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 10: N/2 and N/2 SW/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Diamondtail-Wolfcamp Pool. The discovery well is the Superior Oil Company Triste Draw Federal Well No. 1 located in Unit J of Section 14, Township 23 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 14: SE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Grana Ridge-Bone Spring Pool. The discovery well is the Hunt Oil Company State 4 Well No. 1 located in Unit T of Section 4, Township 21 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 4: SW/4

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Grassland-Wolfcamp Pool. The discovery well is C. F. Qualia State 23 Well No. 1 located in Unit K of Section 23, Township 15 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 23: SW/4

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Lusk-Bone Spring Pool. The discovery well is Petroleum Development Corporation Shelly Federal Com. Well No. 1 located in Unit H of Section 5, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 5: NE/4

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the McMillan-Atoka Gas Pool. The discovery well is Southland Royalty Company Pecos River 21 Federal Com Well No. 1 located in Unit K of Section 21, Township 19 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 21: S/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Springs-Morrow Gas Pool. The discovery well is Jake L. Hamon State 33 Com Well No. 1 located in Unit I of Section 33, Township 20 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 32: E/2
Section 33: All

(h) EXTEND the Antelope Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 11: All
Section 15: N/2

(i) EXTEND the Baldrige Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 14: N/2

(j) EXTEND the Bear Draw-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
Section 28: N/2 SE/4

(k) EXTEND the Bluit-Wolfcamp Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH RANGE 37 EAST, NMPM
Section 10: SE/4

(l) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 4: All

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- (m) EXTEND the Bunker Hill-Penrose Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 13: SE/4 SW/4

- (n) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 35: W/2

- (o) EXTEND the Eagle Creek-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 27: N/2

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 1: All

- (p) EXTEND the Golden Lane-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
Section 8: S/2

- (q) EXTEND the Kennedy Farms-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 34: N/2
Section 35: N/2

- (r) EXTEND the North Mason-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM
Section 8: S/2 S/2

- (s) EXTEND the West Osuda-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM
Section 35: N/2

- (t) EXTEND the West Parkway-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 29: W/2

- (u) EXTEND the Peterson-Mississippian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM
Section 29: NE/4

- (v) EXTEND the POW-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 4: S/2

- (w) EXTEND the Saunders-Permo Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 32: NE/4

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- (x) EXTEND the Scharb-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 8: NE/4

- (y) EXTEND the East Siete-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM
Section 10: NE/4

- (z) EXTEND the Teague-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 27: NW/4

- (aa) EXTEND the Tom-Tom-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 28: SE/4

- (bb) EXTEND the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 21: All

- (cc) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 9: NE/4

NERBIE
DICK

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. 7416

Order No. R-6891

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR POOL CREATION AND REDELINEATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 19, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of January, 1982, 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 the applicant, El Paso Natural Gas Company, seeks to contract the horizontal limits of the Jalmat Gas Pool by deleting therefrom ~~all~~ ^{most of the} lands in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant additionally seeks to redefine the Rhodes-Yates-Seven Rivers ^{Oil} ~~Gas~~ Pool as ^{two} ~~separate~~ ^{pools, an oil pool and a} ~~oil and gas pool~~ and ^{to extend} ~~and amendment of~~ the horizontal limits of the Scarborough-Yates Seven Rivers Pool ^{to take in two certain wells.} ~~to eliminate an overlap with said Rhodes-Yates Seven Rivers Gas Pool, and take in one oil well.~~

(4) Applicant further seeks to contract the horizontal boundaries of the Rhodes Gas Storage Unit to delete certain lands and wells not participating in the Rhodes Gas Storage Project and to withdraw without restriction all gas remaining in the newly redefined Rhodes ^{Yates-Seven Rivers} Gas Pool.

(5) That the aforesaid Jalmat ^{Gas Pool} and Rhodes ^{Yates-Seven Rivers Oil} ~~Gas~~ Pools have substantially the same vertical limits and overlap, horizontally, to a great degree in Township 26 South, Range 37 East, Lea County, New Mexico.

(6) That to clarify the Division's pool nomenclature and eliminate said overlap, and to permit gas wells and oil wells

within the overlap area to receive their proper allowable or authority to produce, the following action should be taken:

(a) the horizontal limits of the Jalmat~~Yates~~-Seven Rivers Gas Pool should be contracted by deletion therefrom of the acreage shown in paragraph (a) of Exhibit "A" attached to this order;

(b) the horizontal limits of the Rhodes~~Yates~~-Seven Rivers ^{Oil} Gas Pool should be contracted by deletion therefrom of the acreage shown in paragraph (b) of said Exhibit "A";

(c) the horizontal limits of the Rhodes-Yates-Seven Rivers Gas Pool should be extended to include therein the acreage shown in paragraph (c) of said Exhibit "A";

(c) ~~(a)~~ the horizontal limits of the Scarborough~~Yates~~-Seven Rivers Pool should be extended to include therein the acreage shown in paragraph ^(c) ~~(a)~~ of said Exhibit "A";

(d) ~~(c)~~ That a new ^{gas} ~~oil~~ pool for Yates-Seven Rivers production should be created and designated the Rhodes~~Yates~~-Seven Rivers ^{Gas} Pool consisting of the acreage shown in paragraph (d) of said Exhibit "A".

(7) That no testimony was received relative to contraction of the Rhodes Gas Storage Unit and that portion of this

application should be dismissed.

(8) That the newly ^{created} ~~redefined~~ Rhodes ^{Yates-Seven Rivers} Gas Pool will be a non-prorated Gas Pool.

(9) That the effective date of this order should be January 1, 1992.

(10) That approval of the subject application and all the pool contractions, extensions, and creations/ included therein will not result in waste and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That the Jalmat ~~Tansill~~ Yates-Seven Rivers Gas Pool as previously defined and described in Lea County, New Mexico, is hereby contracted as shown in paragraph (a) of Exhibit "A" attached to this order.

(2) That the Rhodes ^{oil} ~~Gas~~ Yates-Seven Rivers Pool as previously defined and described in Lea County, New Mexico, is hereby contracted as shown in paragraph (b) ~~and extended as shown in paragraph (c), respectively,~~ of Exhibit "A" attached to this order.

(3) That the Scarborough ~~Yates-Seven Rivers~~ Pool as previously defined and described in Lea County, New Mexico, is hereby extended as shown in paragraph ^(c) ~~(d)~~ of Exhibit "A" attached to this order.

(4) That a new pool for Yates-Seven Rivers ^{gas} oil production is hereby created and designated the Rhodes Yates-Seven Rivers ^{Gas} Pool with vertical limits consisting of the Yates and Seven Rivers formations and horizontal limits as shown in paragraph (d) of Exhibit "A" attached to this order, provided however, that the vertical limits of said pool in Section 4, Township 26 South, Range 37 East, NMPM, shall be the Yates formation and ~~all~~ all of the Seven Rivers formation except the lowermost 100 feet thereof.

(5) That the portion of this case seeking deletion of certain lands from the Rhodes Gas Storage Unit is hereby dismissed.

(6) That the effective date of this order and of the pool contractions, extensions and creation and the dismissal contained herein shall be January 1, 1982.

(7) 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.

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A I.

- (a) Contraction of the Jalmat-Tansil-Yates-Seven Rivers Gas Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Sections 4, 5, and 6: All

Section 7: E/2 E/2

Sections 8 and 9: All

Section 10: W/2

Section 14: SW/4

Section 15, 16, and 17: All

Section 18: E/2 E/2

Section 19: E/2 NE/4

Sections 20, 21, and 22: All

Sections 27 and 28: All

Section 29: NE/4

Section 33: E/2 ~~NE/4~~ E/2

Section 34: ~~N/2~~ R11

- (b) Contraction of the Rhodes-Wates-Seven Rivers Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Sections 4, 5, and 6: All

Section 7: E/2 ~~E/2~~

Section 8: N/2, E/2 SE/4, SW/4 SE/4, and SE/4 SW/4

Section 9: All

Section 10: S/2

Sections 15 and 16: All

Section 17: ~~MS 9-6/3 11/4/4 and 17-8/11 0/2 50/4~~

Section 21: N/2 N/2, SW/4 NW/4, and SE/4 NE/4

Section 22: N/2, N/2 SE/4, SE/4 SE/4, and NE/4 SW/4

Section 23: S/2

- (c) Extension of the Scarborough-Yates-Seven Rivers Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 6: SW/4 SW/4

Section 29: NE/4

- (d) Creation of the Rhodes-Yates-Seven Rivers Gas Pool, Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 4: All
Section 5: E/2
Section 8: NE/4, E/2 SE/4, SW/4 SE/4, and SE/4 SW/4
Section 9: All
Section 10: W/2
Section 14: SW/4
Section 15 and 16: All
Section 17: NE/4, E/2 ~~SE/4~~, and E/2 SE/4
Section 21: N/2 N/2, SE/4 NE/4, and SW/4 NW/4
Section 22: N/2, N/2 SE/4, SE/4 SE/4, and NE/4 SW/4
Section 23: S/2