



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

July 17, 1984

El Paso Natural Gas Company
P.O. Box 1492
El Paso, Texas 79978

Attention: H. L. Kendrick

Amended
Administrative Order NSP-1292

Gentlemen:

Reference is made to your application for a seven non-standard proration units consisting of the following acreage and wells in the Rhodes Gas Pool:

LEA COUNTY, NEW MEXICO
ALL IN TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 8: E/2 SE/4 and SW/4 SE/4 (120 acres)
Rhodes Stg. Unit Well No. 23

Section 10: N/2 S/2 (160 acres)
Bates Well No. 1

Section 10: SW/4 SW/4 (40 acres)
Rhodes Stg. Unit Well No. 9

Section 15: W/2 NW/4 and SE/4 NW/4 (120 acres)
Gregory "B" Well No. 1
Rhodes Stg. Unit Well No. 6
Rhodes Stg. Unit Well No. 7

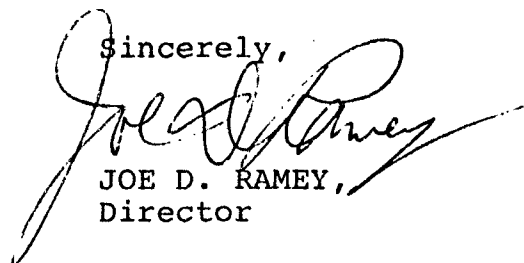
Section 21: E/2 NE/4 and NW/4 NE/4 (120 acres)
Moberly "B" Well No. 1
Moberly "B" Well No. 2

Section 21: W/2 NW/4 (80 acres)
Elliott Fed. Well No. 2
Moberly "C" Well No. 3

Section 22: E/2 SE/4 and NW/4 SE/4 (120 acres)
Rhodes "A" Well No. 2:

By authority granted me under the provisions of Rule 104 D II, the above non-standard proration units are hereby approved.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joe D. Ramey", written over the typed name and title.

JOE D. RAMEY,
Director

JDR/RLS/dp

cc: Oil Conservation Division - Hobbs
Oil & Gas Engineering Committee - Hobbs

Note: This amendment is to reduce the non-standard acreage from 120 to 80 acres for the following wells in Section 21; Elliott Fed. Well No. 2 and Moberly "C" Well No. 3.

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

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

January 11, 1991

Doyle Hartman
c/o Daniel S. Nutter
105 E. Alicante
Santa Fe, NM 87501

Administrative Order NSP-1292-A

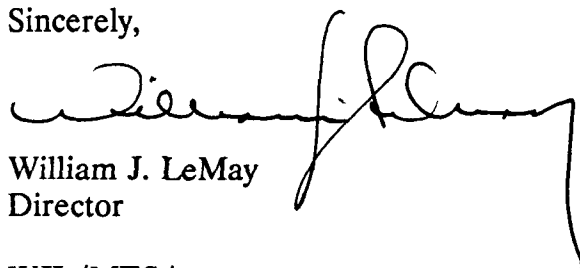
Dear Mr. Nutter:

Reference is made to your application dated January 9, 1991 to reactivate a 160-acre non-standard Jalmat Gas spacing and proration unit comprising the N/2 S/2 of Section 10, Township 26 North, Range 37 East, NMPM, Lea County, New Mexico, which was approved by Division Administrative Order NSP-1292, as amended. The original well dedicated to said acreage, the El Paso Bates Well No. 1 located at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 10, was plugged and abandoned thereby terminating said unit at that time.

It is our understanding at this time said unit is to be dedicated to Doyle Hartman's proposed Bates Well No. 2 to be drilled at a standard gas well location 1980 feet from the South line and 760 feet from the West line (Unit L) of said Section 10.

The above-described non-standard unit approved by said Order NSP-1292, as amended, is hereby reinstated. Said unit to be dedicated to the Bates Well No. 2 as described above.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Hobbs
Doyle Hartman - Midland

DANIEL S. NUTTER

REGISTERED PETROLEUM ENGINEER

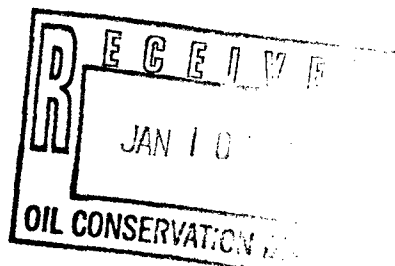
PETROLEUM CONSULTATION AND STATE AND FEDERAL REGULATORY SERVICES

105 EAST ALICANTE

SANTA FE, NEW MEXICO 87501

PHONE (505) 982-0757

January 9, 1991



Mr. William J. LeMay, Director
Oil Conservation Division
Energy And Minerals Department
Post Office Box 2088
Santa Fe, New Mexico

Re: NSP-1292

Doyle Hartman Bates Lease
N/2 S/2 Sec 10, Twp 26 S Rge 37 E
Jalmat Pool, Lea County, New Mexico

Dear Mr. LeMay:

Upon the application of El Paso Natural Gas Company, New Mexico Oil Conservation Division Administrative Order NSP-1292, entered February 10, 1982, approved among several other non-standard units, a 160-acre non-standard unit comprising the above-described acreage to be dedicated to El Paso's Bates Well No. 1, which was drilled at a standard location for said unit at a point 1980 feet from the South line and 660 feet from the West line of said Section 10.

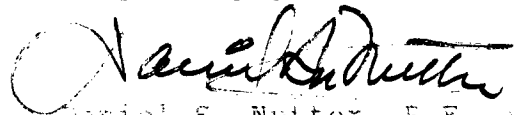
This well was plugged as no longer productive, and Doyle Hartman, successor to El Paso as operator of the lands comprising this proration unit, proposes to drill a replacement well to facilitate more complete drainage of these lands. Mr. Hartman proposes to drill his Bates Well No. 2 100 feet east of the old Bates No. 1, at a standard location 1980 feet from the South line and 760 feet from the West line of said Section 10. He also proposes to take the proposed Bates No. 2 well to a depth of 3800 feet, and attempt an oil completion in the Queen formation.

Inasmuch as this is a previously approved non-standard proration unit upon which was drilled a well at an almost identical location as is now proposed, Mr. Stogner and Mr. Sexton apparently concur that this proration unit can be reactivated or approved, whichever the case may be, without the necessity of notification of offset operators.

William J. LeMay
January 9, 1991
Page 2

For the above reasons, it is respectfully requested that Doyle Hartman's application for a 160-acre non-standard gas proration unit to be dedicated to a new well, all as described above, be approved as soon as possible. Weather conditions and other factors contribute to the urgency of this request.

Very truly yours,



Daniel S. Nutter, F.E., and
Agent for Doyle Hartman

DSN:ms

cc: Michael Stegner
Jerry Sexton
Doyle Hartman



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

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 1, 1991

Doyle Hartman
c/o Daniel S. Nutter
105 E. Alicante
Santa Fe, NM 87501

Corrected Administrative Order NSP-1292-A

Dear Mr. Nutter:

It appears that Administrative Order No. NSP-1292-A does not correctly state the intended order of the Division. Therefore, the pool name should be changed to read "Rhodes Yates-Seven Rivers Gas Pool".

All other provisions of said Order No. NSP-1292-A shall remain in full force and effect until further notice.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Hobbs
Doyle Hartman - Midland

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

91 JAN 31 8 09 28

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

January 11, 1991

Doyle Hartman
c/o Daniel S. Nutter
105 E. Alicante
Santa Fe, NM 87501

Administrative Order NSP-1292-A

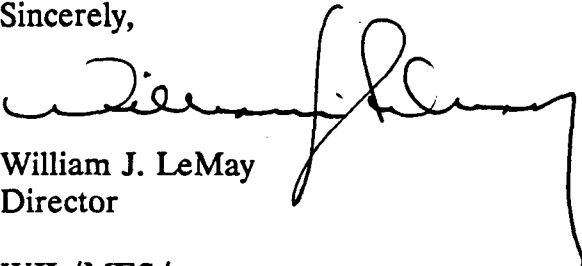
Dear Mr. Nutter:

Rhodes
Reference is made to your application dated January 9, 1991 to reactivate a 160-acre non-standard Jalmat Gas spacing and proration unit comprising the N/2 S/2 of Section 10, Township 26 North, Range 37 East, NMPM, Lea County, New Mexico, which was approved by Division Administrative Order NSP-1292, as amended. The original well dedicated to said acreage, the El Paso Bates Well No. 1 located at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 10, was plugged and abandoned thereby terminating said unit at that time.

It is our understanding at this time said unit is to be dedicated to Doyle Hartman's proposed Bates Well No. 2 to be drilled at a standard gas well location 1980 feet from the South line and 760 feet from the West line (Unit L) of said Section 10.

The above-described non-standard unit approved by said Order NSP-1292, as amended, is hereby reinstated. Said unit to be dedicated to the Bates Well No. 2 as described above.

Sincerely,


William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Hobbs
Doyle Hartman - Midland



RELEASE IMMEDIATELY

STATE OF NEW MEXICO

By SPQ

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

February 10, 1982

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Attention: H. L. Kendrick

AMENDED
Administrative Order NSP-1292

Gentlemen:

Reference is made to your application for seven non-standard proration units consisting of the following acreage and wells in the Rhodes Gas Pool:

LEA COUNTY, NEW MEXICO
ALL IN TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 8: E/2 SE/4 and SW/4 SE/4 (120 acres)
Rhodes Stg. Unit Well No. 23

Section 10: N/2 S/2 (160 acres)
Bates Well No. 1

Section 10: SW/4 SW/4 (40 acres)
Rhodes Stg. Unit Well No. 9

Section 15: W/2 NW/4 and SE/4 NW/4 (120 acres)
Gregory "B" Well No. 1
Rhodes Stg. Unit Well No. 6
Rhodes Stg. Unit Well No. 7

Section 21: E/2 NE/4 and NW/4 NE/4 (120 acres)
Moberly "B" Well No. 1
Moberly "B" Well No. 2

Section 21: W/2 NW/4 and ~~NE/4 NW/4~~ ⁸⁰ (120 acres)
Elliott Fed. Well No. 2
Moberly "C" Well No. 3

Section 22: E/2 SE/4 and NW/4 SE/4 (120 acres)
Rhodes "A" Well No. 2:

~~NOTE:~~

By authority granted me under the provisions of Rule 104 D II, the above non-standard proration units are hereby approved.

Sincerely,

JOE D. RAMEY,
Director

JDR/RLS/dr

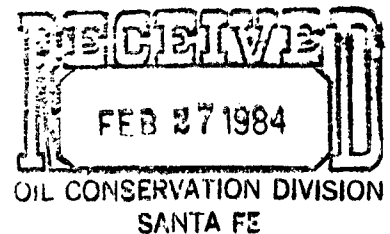
cc: Oil Conservation Division - Hobbs
Oil & Gas Engineering Committee - Hobbs

NOTE: This Amendment is to reduce the nonstandard acreage from 120 to 30 acres for the following wells in section 21;
Elliptt Fed. Well No. 2
Moberly "C" Well No. 3

El Paso
Exploration Company

1800 WILCO BUILDING
MIDLAND, TEXAS 79701

PHONE: 915-684-7575



February 22, 1984

NSP- 1292

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

Attention: Mr. Dan Nutter

Re: Administrative Order NSP-1292
Sec. 21, T26S, R37E, NMPM
W/2 NW/4 and NE/4 NW/4 (120 acres)
Elliott Fed. No. 2
Moberly "C" No. 3

Dear Mr. Nutter:

Please find attached well location and dedication plats (form C102) for Sec. 21, T26S, R37E, Lea County, New Mexico on the captioned wells to request a non-standard proration unit of 80 acres, instead of 120 acres as approved by Administrative Order NSP-1292.

This request is due to the following well being completed as an oil well, form C102 attached.

Elliott Federal No. 5
Unit Letter C
Sec. 21, T26S, R37E
40 acres
Lea County, New Mexico

If additional data is required or if you have any questions, please call me at 915-684-7575, ext. 264.

A handwritten signature in dark ink, appearing to read "John S. Delk".

John S. Delk
Manager of Production Services

nk
c K. L. Hendricks
Well files (3)

Attachments

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLATForm C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

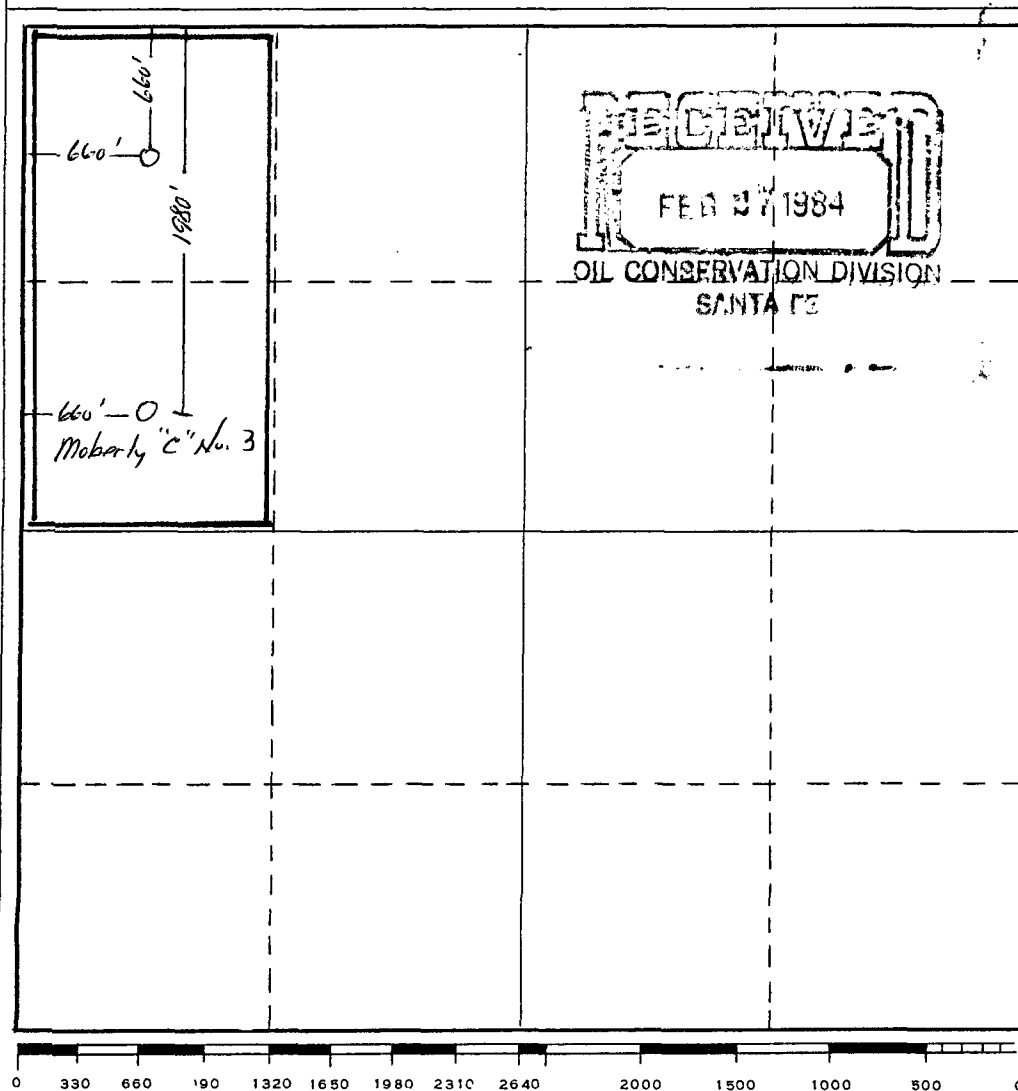
Operator El Paso Natural Gas Company		Lease Elliott Federal		Well No. 2
Unit Letter D	Section 21	Township 26S	Range 37E	County Lea
Actual Footage Location of Well: 660 feet from the North line and 660 feet from the West line				
Ground Level Elev: 2973.0	Producing Formation Yates - Seven Rivers	Pool Rhodes Yates - Seven Rivers	Dedicated Acreage: 80 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

John S. Delk
Name
John S. Delk
Position
Manager, Prod. Services
Company
El Paso Natural Gas Co.
Date
February 23, 1984

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Not Available

Registered Professional Engineer
and/or Land Surveyor

Certificate No.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

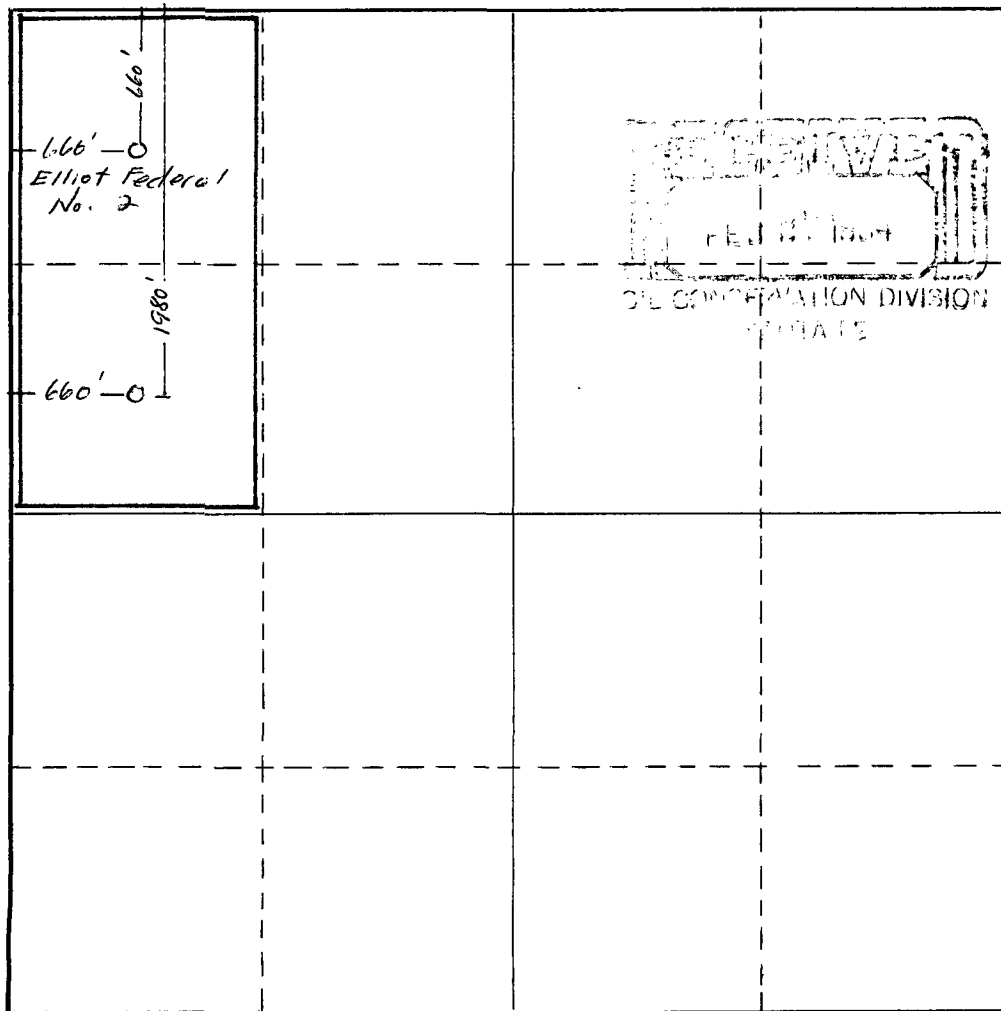
Operator El Paso Natural Gas Company		Lease Moberly "C"		Well No. 3
Unit Letter E	Section 21	Township 26S	Range 37E	County Lea
Actual Footage Location of Well: 660 feet from the West line and 1980 feet from the North line				
Ground Level Elev: 2976.0	Producing Formation Yates - Seven Rivers	Pool Rhodes Yates-Seven Rivers	Dedicated Acreage: 80 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

John S. Delk

Name
John S. Delk

Position
Manager, Prod. Services

Company
El Paso Natural Gas Co.

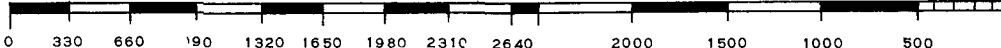
Date
February 23, 1984

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Not Available

Registered Professional Engineer and/or Land Surveyor

Certificate No.



NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator El Paso Exploration Company		Lease Elliott Federal		Well No. 5
Unit Letter C	Section 21	Township 26S	Range 37E	County Lea

Actual Footage Location of Well:

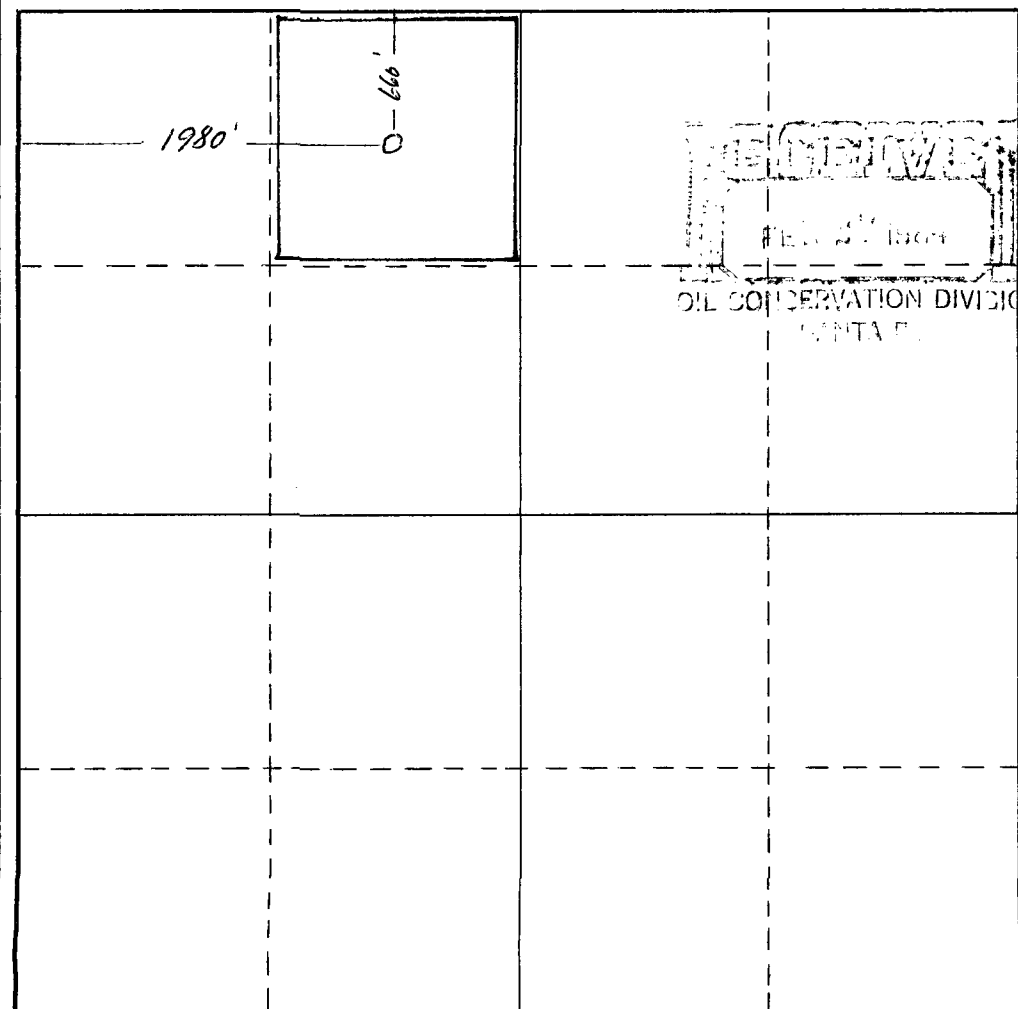
1980 feet from the West line and 660 feet from the North line	
Ground Level Elev: 2977.0	Producing Formation Yates - Seven Rivers
Pool Rhodes Yates - Seven Rivers	Dedicated Acreage: 40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

John S. Delk
Name
John S. Delk
Position
Manager, Prod. Services
Company
El Paso Exploration Co.
Date
February 23, 1984

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
9-23-83
Registered Professional Engineer
and/or Land Surveyor

Marlon Deaton

Certificate No.
5039



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 15, 1993

Meridian Oil Inc.
P. O. Box 51810
Midland, Texas 79710-1810

Attn: Leslyn M. Swierc, CPL

Doyle Hartman - Oil Operator
P. O. Box 10426
Midland, Texas 79702

Attn: Patrick K. Worrell, Engineer

**RE: Rhodes Yates-Seven Rivers Gas Pool Development in
Sections 10 and 15, Township 26 South, Range 37 East,
NMPM, Lea County, New Mexico.**

Dear Ms. Swierc and Mr. Worrell:

Meridian's recent application for a non-standard 120-acre gas spacing and proration unit comprising the NE/4 NE/4 and S/2 NE/4 of said Section 15 to be dedicated to the proposed Gregory "B" Well No. 2 to be drilled in Unit A and all related correspondence to same has forced the Division to review past, current, and future development of the Rhodes Yates-Seven Rivers Gas Pool ("Rhodes Gas Pool") in both said Sections 10 and 15 quite extensively. Development in both sections are as follows:

- The 40-acre non-standard gas spacing unit comprising the SW/4 SW/4 (Unit M) of Section 10, approved by Division Administrative Order NSP-1292, is dedicated to Meridian's Rhodes GSU Well No. 9 in Unit M;
- the standard 160-acre unit comprising the NW/4 of Section 10 is dedicated to Meridian's Rhodes GSU Well No. 16 in Unit E;

- the N/2 S/2 of Section 10, being a non-standard 160-acre unit approved by Division Administrative Orders NSP-1292 and NSP-1292-A has been developed by Meridian's Bates Well No. 1 (well P&A'd February, 1988) in Unit L and Hartman attempted to develop the same acreage with its C. T. Bates Well No. 2 (well was P&A'd in January, 1991 after encountering a severe waterflow during drilling) also in Unit L;
- the standard 160-acre unit comprising the SW/4 of Section 15 is simultaneously dedicated to Meridian's Cagle "B" Well No. 1 in Unit L and Rhodes GSU Well No. 24 in Unit N (simultaneous dedication occurred prior to the Division's July 27, 1988 Memorandum);
- the standard 160-acre unit comprising the SE/4 of Section 15 is simultaneously dedicated (pre-1988 authorization) to Meridian's Rhodes GSU Well Nos. 8 and 25 in Units J and O, respectively; and,
- the 120-acre non-standard gas spacing unit comprising the NW/4 NW/4 and S/2 NW/4 of Section 15, approved by Division Administrative Order NSP-1292, is simultaneously dedicated (pre-1988 authorization) to Meridian's Gregory "B" Well No. 1 in Unit F and Rhodes GSU Well No. 7 in Unit F.

The Rhodes Yates-Seven Rivers Gas Pool is an unprorated gas pool spaced on standard statewide 160-acre units and is subject to the two Division Memorandums dated July 27, 1988 and August 3, 1990 (see attached), which disallows the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools. It is the Division's opinion that said Memorandums reference to "proration units" equate to mean "standard gas proration units of standard size for the particular pool". The practice of operators forming non-standard spacing units in order to avoid the Division's simultaneous dedication policy is therefore prohibited. It should also be noted that forming non-standard spacing and proration units to avoid the compulsory pooling of acreage to form a standard sized unit, in most instances, is not considered just cause.

In this particular two section area, the undeveloped portions of the Rhodes Gas Pool consist of the NE/4 and NE/4 NW/4 of Section 15 and the NE/4, SE/4 SW/4, and S/2 SE/4 of Section 10. The NE/4 of Section 10 is a standard 160-acre unit and can therefore be developed without exception to the spacing rules, the remaining 320 acres comprising the SE/4 SW/4 and S/2 SE/4 of Section 10 and the NE/4 and NE/4 NW/4 of Section 15, however, will require a little ingenuity and jockeying of acreage to re-establish proper and prudent development of the Rhodes Gas Pool. The Division at this time will only consider authorization of the following:

Meridian Oil, Inc.
Doyle Hartman - Oil Operator
February 15, 1993
Page 3

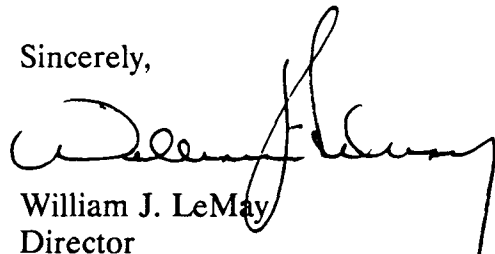
- the formation of a 160-acre non-standard gas spacing unit comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and S/2 NE/4 of Section 15 to be dedicated to Meridian's proposed Gregory "B" Well No. 2 to be drilled at a standard gas well location 990 feet from the South line and 660 feet from the East line (Unit A) of said Section 15; and,
- the remaining 160 acres, comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15, can be developed in the future by a single well to be drilled at a standard gas well location thereon.

Meridian's application for a non-standard 120-acre gas spacing and proration unit in the Rhodes Gas Pool comprising the NE/4 NE/4 and S/2 NE/4 of said Section 15 is therefore denied. Should Meridian choose to pursue this matter, an application for hearing must be filed with the Division requesting approval for the aforementioned 160-acre non-standard gas spacing and proration unit. Any such order from the Division will necessarily include a procedure of notification for the ensuing 160 acres to be authorized administratively.

Meridian will still be required to provide adequate notice pursuant to the provisions of General Rule 1207.A.(6).

Should you have any question or comments concerning this matter, please contact either Larry Van Ryan, Chief Engineer or Michael E. Stogner, Chief Hearing Officer in Santa Fe at (505) 827-5800.

Sincerely,



William J. LeMay
Director

cc: Oil Conservation Division - Hobbs
Larry Van Ryan - Santa Fe
Robert Stovall - Santa Fe
Michael Stogner - Santa Fe
U. S. Bureau of Land Management - Carlsbad
W. Thomas Kellahin - Santa Fe
File: NSP-1292



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unregulated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

dr/

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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.