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ms

Case No. 11476

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

April 17, 1996

Ronald W. Lanning
Texaco Exploration and Production Inc.
P.O. Box 3109
Midland, TX 79702

Larry A. Nermyr
HC-57
Box 4106
Sydney, MT 59270

James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

Ruth Sutton
2826 Moss
Midland, TX 79705

James E. Burr
P.O. Box 8050
Midland, TX 79708-8050

Re: Dublin-Rhodes Federal "Com" No. 1
Lea County, New Mexico
SW/4 Section 23, T-26-S, R-37-E, N.M.P.M.
(160-acre Spacing Unit)

Gentlemen:

Please find enclosed an additional copy of our AFE dated March 27, 1996, together with an original and duplicate original of a Communitization Agreement and Operating Agreement dated April 1, 1996, all corresponding to the drilling of our proposed 3325-foot Dublin-Rhodes Federal "Com" No. 1 Rhodes Pool gas well to be situated on the 160-acre standard spacing unit consisting of the SW/4 Section 23, T-26-S, R-37-E, Lea County, New Mexico. It is important that the Dublin-Rhodes Federal "Com" No. 1 gas well be promptly drilled due to presently ongoing drainage from the following two (2) Meridian offsets, one of which was completed January 24, 1996, as a Yates gas producer at an unorthodox gas well location just 330' south of our proposed 160-acre Dublin-Rhodes Federal "Com" Yates gas proration unit:

- 1) Rhodes "A" Federal No. 4
1650' FSL and 660' FEL (I)
Section 22, T-26-S, R-37-E

- 2) Rhodes "B" Federal No. 7
330' FNL and 1470' FWL (C)
Section 26, T-26-S, R-37-E
(Scout Ticket enclosed)

As to the NMOCD's previously-stated position pertaining to gas spacing units and well density for the Rhodes Pool, the following are the NMOCD's findings No.'s 4 and 5 from Order R-9870 dated April 14, 1993 (copy enclosed), corresponding to Meridian's Gregory "B" No. 2 gas well located 660' FNL and 660' FEL of Section 15, T-26-S, R-37-E, Lea County, New Mexico:

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

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

Since the proposed Dublin-Rhodes Federal "Com" No. 1 well is to be completed as a gas well from the Yates formation, which is a geological formation younger than Wolfcamp in age, in accordance with NMOCD Rhodes Pool policy, the standard gas spacing unit for the herein-proposed Dublin-Rhodes Federal "Com" No. 1 well must be comprised of the 160-acre governmental quarter-section consisting of the SW/4 Section 23, with the proration unit ownership being as follows:

Texaco Exploration and Production Inc., et al
April 17, 1996
Page 3

<u>OWNER</u>	<u>TRACT DESCRIPTION</u>	<u>FEDERAL LEASE NO.</u>	<u>P.U. W.I. (ACRES)</u>	<u>P.U. W.I. (%)</u>
Texaco	W/2SW/4 Sec 23	LC-032604(B)	80.0000	50.000000
Doyle Hartman	E/2SW/4 Sec 23	NM-90796	56.8750	35.546875
James A. Davidson	E/2SW/4 Sec 23	NM-90796	20.0000	12.500000
James E. Burr	E/2SW/4 Sec 23	NM-90796	1.2500	0.781250
Larry A. Nermyr	E/2SW/4 Sec 23	NM-90796	1.2500	0.781250
<u>Ruth Sutton</u>	<u>E/2SW/4 Sec 23</u>	<u>NM-90796</u>	<u>0.6250</u>	<u>0.390625</u>
TOTAL P.U.			160.0000	100.000000

Therefore, in recognition of (1) the currently ongoing offset drainage by Meridian's two above-described Rhodes gas wells and (2) the NMOCD's clearly-stated policy pertaining to the size and shape of Rhodes gas spacing units, your prompt approval of our herein-enclosed Dublin-Rhodes Federal "Com" No. 1 Rhodes gas well is respectfully requested. In this regard, we look forward to your immediate return to us of a fully executed copy of our herein-proposed AFE, Communitization Agreement, and Operating Agreement.

If we can be of further assistance, please do not hesitate to promptly contact us.

Yours very truly,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures (5)

rep
wpdocs\corresp.dh\tex-dub2.lin

cc: William J. LeMay
NMOCD
2040 S. Pacheco
Santa Fe, NM 87505

Texaco Exploration and Production Inc., et al
April 17, 1996
Page 4

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Steve Hartman, Engineer
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Sheila Potts, Geologist
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