

GALLEGOS LAW FIRM

A Professional Corporation

460 St. Michael's Drive
Building 300
Santa Fe, New Mexico 87505
Telephone No. 505-983-6686
Telefax No. 505-986-1367
Telefax No. 505-986-0741

January 31, 1996

RECORDED
MICHAEL J. CONDON

JAN 31 1996

Oil Conservation Division

11476

HAND-DELIVERED

William J. LeMay, Director
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Application of Texaco Exploration and Production, Inc. for Compulsory Pooling, Lea County, New Mexico

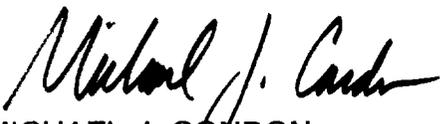
Dear Mr. LeMay:

Enclosed for filing please find Hartman's Cross-Application for Compulsory Pooling and Objection to and Motion to Dismiss the Application of Texaco Exploration and Production, Inc. for Compulsory Pooling. Please file this under the same case number assigned to Texaco's Application. As I have previously indicated in correspondence, we would appreciate it if this matter could be continued from its present February 22, 1996 setting. I still have not heard from Texaco regarding their position on a continuance, but hope to hear something shortly. We believe that the parties shall be given ample time to try to work out an agreement before force pooling proceedings take place.

If you have any questions, please feel free to contact me.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By 
MICHAEL J. CONDON

MJC:sa

Enclosure

cc: Doyle Hartman
Carolyn Sebastian
William F. Carr (w/enclosures)
Buddy Davidson

ioc: J.E. Gallegos

**BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES**

**IN THE MATTER OF THE APPLICATION
OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

RECEIVED

JAN 17 1996

Oil Conservation Div.

NO. 11476

**HARTMAN'S CROSS-APPLICATION FOR
COMPULSORY POOLING AND OBJECTION TO
AND MOTION TO DISMISS THE APPLICATION OF TEXACO
EXPLORATION AND PRODUCTION, INC. FOR COMPULSORY POOLING**

Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator (herein "Hartman"), apply to the New Mexico Oil Conservation Division ("NMOCD") pursuant to NMSA 1978 Section 70-2-17, for an Order pooling all mineral interests in the SW/4 of Section 23 for formations developed on 160-acre spacing, and creating a 160-acre Rhodes Yates-Seven Rivers gas proration unit covering the SW/4 of Section 23, T-26-S, R-37-E, N.M.P.M., Lea County, New Mexico. Hartman concurrently serves this Objection to the application of Texaco Exploration and Production Inc. ("Texaco") for Compulsory Pooling, Lea County, New Mexico," filed with NMOCD on or about January 16, 1996, and moves to dismiss Texaco's Application. As grounds for this Cross-Application, Objection, and Motion to Dismiss, Hartman states as follows:

1. Hartman is a working interest owner in the SW/4 of Section 23 and has the right to drill thereon. Hartman requests designation as operator of a 160-acre proration unit consisting of the SW/4 Section 23 and requests simultaneous dedication of

this proration unit to a Rhodes Yates-Seven Rivers gas well to be located 1980' FSL and 660' FWL Section 23. Applicant proposes to drill this gas well and test any and all formations from the surface to a depth of 3,300', which depth shall be adequate to test the Yates-Seven Rivers Gas Pool interval. The acreage at issue in this Cross Application is identical to that at issue in Texaco's Application.

2. Hartman learned on January 24, 1996, that Meridian Oil, Inc. filed an Application for Non-Standard Location for its Rhodes "B" Federal Well No. 7, located in Section 26, T-26-S, R-37-E. This well, which Meridian has apparently already drilled, is located only 330 feet from the North line of the Section which represents the southern boundary of Section 23.

3. Because of Texaco's proposed location of 660' FSL and 660' FWL of Section 23, Hartman objects to Meridian's Rhodes "B" Federal No. 7 application. Hartman is an offset operator to the Meridian Rhodes "B" Federal No. 7 well, but was not given notice of the proposed well or the Application as required by Rule 104 of NMOCD Rules and Regulations. Based on available information, the circumstances of the Rhodes "B" Federal Well No. 7 do not qualify under Rule 104(F)(1) or (2), nor are there any circumstances which justify consideration or approval of this proposed well without notice and hearing as required by NMOCD Rule 1201 and due process requirements. See Uhden v. New Mexico Oil Conservation Commission, 112 N.M. 528, 817 P.2d 721 (1991). A copy of Hartman's letter of January 24, 1996 objecting to Meridian's Application, is attached hereto as Exhibit "A."

4. The Meridian Rhodes "B" Federal Well No. 7 was apparently drilled

on a Texaco lease covering Section 26. Thus, to the extent that Texaco's proposed development in Section 23 is necessary to avoid drainage caused by the operation of the Rhodes "B" Federal Well No. 7, the drainage problem was created and acceded to by Texaco pursuant to an agreement between Texaco and Meridian, the total scope and terms of which are unknown to Hartman but which are relevant and material to NMOCD's consideration of Texaco's Application and Hartman's Cross-Application.

5. James A. (Buddy) Davidson, another working interest owner in the SW/4 of Section 23, has also objected, by letter dated January 25, 1996, to Texaco's application and the proposed Rhodes "23" Fed. Com. No. 1 location consisting of 660' FSL and 660' FWL Section 23. Hartman received Texaco's force pooling application on January 22, 1996.

6. Texaco's AFE for the proposed Rhodes "23" Fed. Com. No. 1 well estimates total drilling costs of \$185,000. This AFE is not in line with normal and customary costs of drilling a Yates-Seven Rivers well in this area, and is substantially less than drilling costs which Texaco has recognized and charged for other wells Texaco recently drilled in this area as part of its 1993 infill drilling program in Texaco's Rhodes waterflood projects located in Sections 21, 22, 26, 27, and 28, T-26-S, R-37-E.

7. Texaco's application is deficient, vague, ambiguous, and fails to comply with notice requirements established by NMOCD Rules and Regulations. It is unclear from Texaco's Application if Texaco intends to drill and complete a Rhodes oil well

or a Yates-Seven Rivers gas well. Spacing for oil wells in Lea County for the drilling depth proposed by Texaco is 40 acres. If Texaco intends to drill and complete an oil well, no acreage other than the SW/4 SW/4 of Section 23 should be included in any requested compulsory pooling order. Texaco's Application is also deficient, vague and ambiguous to the extent that it seeks pooling for formations developed on 80-acre spacing in this area.

8. Texaco's Application does not adequately protect Hartman's correlative rights, avoid drilling of unnecessary wells, or adequately prevent waste. Texaco's Application, if approved, would unnecessarily diminish Hartman's interest in the SW/4 of Section 23.

9. Hartman's proposed well is geologically more optimum for the proposed 160-acre proration unit, and better able to affect drainage of the entire proration unit than Texaco's proposed Rhodes "23" Fed. Com No. 1 location, which is located in close proximity to the southern border of the proposed proration unit and in close proximity to both Meridian's unorthodox Rhodes "B" Federal Well No. 7 and Texaco's long-time Rhodes "B" Federal No. 17 Rhodes-Yates water injection well.

10. Hartman has not had sufficient time to obtain either voluntary agreement for pooling or farm out from certain interest owners in the SW/4 of Section 23 or to ascertain whether this Cross-Application is opposed. Texaco first proposed drilling in November, 1995. Hartman will shortly submit an AFE and a proposed Communitization Agreement and Operating Agreement to other working interest owners and seek their approval for drilling under this cross-application.

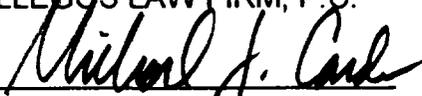
11. Hartman's proposed pooling of interests will prevent waste, avoid unnecessary drilling of wells, and will protect the correlative rights of all interest owners in the SW/4 of Section 23.

12. In accordance with NMOCD Rule 104(C)(2)(iv), Hartman is notifying those offset operator parties set forth on Exhibit "B," attached hereto, and the parties to be force pooled by this Application.

WHEREFORE, Hartman requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division. Due to the relatively recent development of plans regarding this property, Hartman requests that Texaco's Application and this Cross-Application be set on a March docket to allow the parties time to negotiate and study the proposed plans and, after notice and hearing as required by law, that the Division enter its Order (a) pooling the lands subject to the provisions and conditions in Hartman's Cross-Application, including provisions for Hartman to recover its costs of drilling, equipping and completing the well, its cost of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Hartman in drilling, completing and equipping the well, and (b) dismissing and/or denying Texaco's Application.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By 

J. E. GALLEGOS

MICHAEL J. CONDON

460 St. Michael's Drive - Bldg. 300

Santa Fe, New Mexico 87505

(505) 983-6686

Attorneys for Applicant

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 730

DALLAS, TEXAS 75219

(214) 520-1800

(214) 520-0811 FAX

January 24, 1996

William J. LeMay, Director
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Re: Unorthodox Well Location
Meridian-Texaco
Rhodes "B" Federal No. 7
330' FNL & 1470' FWL
Section 26, T-26-S, R-37-E
Lea County, New Mexico

Gentlemen:

Reference is made to the enclosed notice of force pooling that was received by us January 22, 1996, from Texaco Exploration Production, Inc. regarding our 80-acre Dublin lease consisting the E/2 SW/4 Section 26, T-26-S, R-37-E, Lea County, New Mexico.

Yesterday, in reviewing recent drilling activity in the vicinity of our 80-acre Dublin lease, to our astonishment, we learned that Meridian has just finished drilling, at an unorthodox well location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico, a new Rhodes Yates well on Texaco's Rhodes "B" Federal lease situated immediately south of our 80-acre Dublin lease.

As to Meridian's newly drilled well situated 330' south of our 80-acre Dublin lease, we have two points of concern:

1. Notwithstanding the fact that the new offsetting Meridian-Texaco well has been drilled at an unorthodox well location consisting of 330' FNL and 1470' FWL of Section 26, as a direct offsetting operator, we have received no notice of a Meridian-Texaco application being submitted to the NMOCD seeking approval for an unorthodox well location consisting of 330' FNL and 1470' FWL of Section 26, and was totally unaware until yesterday that a new offsetting well has been drilled or was being planned.
2. Since the 1920's, Texaco has been the operator of the Rhodes "B" Federal Rhodes Pool lease consisting in part of Sections 26 and 27, T-26-S, R-37-E. It is an established NMOCD regulation that there can only be one officially recognized operator of a lease. Therefore, in the absence of any additional information, we are somewhat puzzled as to how Meridian can drill and operate new Rhodes Yates-Seven Rivers wells such as the Rhodes "B" Federal No. 1 well (B-27-26-37) on the same Rhodes Yates-Seven Rivers lease being operated by Texaco.

In light of the foregoing, and in accordance with NMOCD regulations, we respectfully request that Meridian-Texaco's new offsetting Rhodes "B" Federal No. 7 well not be granted final authorization to produce until a proper application for an unorthodox location has been filed by Meridian-Texaco and has been approved by the NMOCD, which application also requires that proper notice be given to all offsetting and potentially affected operators.

Very truly yours,

DOYLE HARTMAN



Doyle Hartman

EXHIBIT A

cc: Mr. Jerry Sexton, Supervisor
New Mexico Oil Conservation Division
PO Box 1980
Hobbs, New Mexico 88240-1980

Mr. Michael Condon
3650 St. Michaels Drive
Building 400
Santa Fe, New Mexico 87505

Mr. Ronald W. Lanning-Landman
Texaco Exploration Production Inc.
500 N. Loraine
Midland, Texas 79701

Mr. Don Mashburn
500 North Main
Midland, Texas 79702

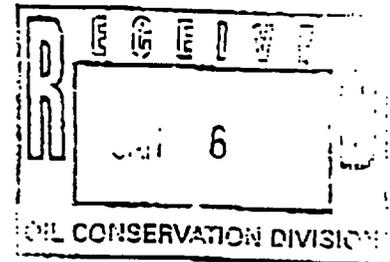
J. E. Gallegos Law Firm
3650 St. Michaels Drive
Building 400
Santa Fe, New Mexico 87505

Mr. James A. Davidson
P.O. Box 494
Midland, Texas 79702

Leslyn M Swierc, CPL
Meridian Oil, Inc.
3300 N. A Street, Bldg. 6
Midland, Texas 79705

Mr. Steve Hartman
500 North Main
Midland, Texas 79702

BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

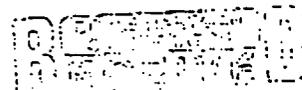
IN THE MATTER OF THE APPLICATION
OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 11476

APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC. ("TEXACO"), by its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in the SW/4 of Section 23, for formations developed on 160-acre spacing, in the W/2 SW/4 of Section 23, for all formations developed on 80-acre spacing and in the SW/4 SW/4 of Section 23 for all formations developed on 40-acre spacing in Township 26 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Texaco is a working interest owner in the SW/4 of Section 23 and Applicant has the right to drill thereon.
2. Texaco proposes to dedicate each of these spacing or proration units to its Rhodes "23" Fed. Com No. 1 Well which is located at an orthodox location at a point 660 feet from the South line and 660 feet from the West line. Applicant proposes to drill this well and test any and all formations from the surface to the base of the Yates formation,



JAN 22 1996

Yates-Seven Rivers Gas Pool.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the SW/4 of said Section 23.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the wells to be drilled thereon.

WHEREFORE, Texaco Exploration and Production Inc., requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on February 22, 1996, and after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR & BERGE, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR TEXACO EXPLORATION
AND PRODUCTION INC.

OIL REPORTS

January 17, 1996

LOCATION AND RE-ENTRIES CONT'D:

Lea County

Sec 36 T22S R32E 15 mi NW Ochoa
STRATA PROD. CO. Shell State #3
1980/N & 2310/W Red Tank
Rot 9000 Bone Spring
API #30-025-33246

Lea County

Sec 27 T26S R37E 6 mi SE Jal
MERIDIAN OIL INC Rhodes B Federal #4
2418/S & 553/E Rhodes
Rot 3150 Yates Seven Rivers
API #30-025-33248

Sec 26 T26S R37E 6 mi SE Jal
MERIDIAN OIL INC Rhodes B Federal #7
330/N & 1470/W Rhodes
Rot 3150 Yates Seven Rivers
API #30-025-33249

REMEDIAL WORK NOTICES:

Sec 2 T18S R34E Unit C Vacuum TEXACO EXPL & PROD INC, New Mexico "Z" State TN Com
#1: To Recomplete API #30-025-29988
Sec 2 T20S R37E Unit P Monument CONOCO INC State A-2A #5: To Recomplete
API #30-025-30004
Sec 8 T20S R37E Unit L Eumont ARCO PERMIAN Berta J Barber #16: To Plugback
API #30-025-06029

(3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba and Sandoval.

- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.
- (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

(1) Oil Wells, All Counties.

- (a) Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2) Lea, Chaves, Eddy and Roosevelt Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.
- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single

OFFSET OPERATORS

Meridian Oil, Inc.
Building 6
3300 North A Street
Midland, Texas 79705

J. McShane Inc.
Post Office Box 968
Monahans, Texas 79756

AMOCO Production Co.
Box 3092
Houston, Texas 77253

Oryx Energy
Post Office Box 2880
Dallas, Texas 75221

Texaco Exploration and Production, Inc.
Post Office Box 3109
Midland, Texas 79702

Permok Oil, Inc.
4050 Pennsylvania
Suite 340
Kansas City, Missouri 64111

Atlantic Richfield
Box 2819
Dallas, Texas 75221

WORKING INTEREST OWNERS

Texaco Exploration and Production, Inc.
Post Office Box 3109
Midland, Texas 79702

James A. Davidson
Post Office Box 494
Midland, Texas 79702

Larry A. Nermyr
HC-57
Box 4106
Sidney, Montana 59270

James E. Burr
3803 Wedgewood Ct.
Midland, Texas 79707

Ruth Sutton
2826 Moss Avenue
Midland, Texas 79705

Delphia Lorene Fletcher
3803 Cimmaron
Midland, Texas 79707