

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

**IN THE MATTER OF THE APPLICATION  
OF MERIDIAN OIL INC. FOR ADMINISTRATIVE  
APPROVAL OF AN UNORTHODOX WELL  
LOCATION FOR ITS RHODES "B" FEDERAL  
NO. 7 WELL, SECTION 26, T-26-S, R-37-E**

RECEIVED  
MAR 1 5 1996  
Oil Conservation Division  
NO. 11528

**APPLICATION TO THE OIL CONSERVATION COMMISSION  
FOR DE NOVO HEARING ON MERIDIAN APPLICATION,  
FOR ORDER AUTHORIZING DISCOVERY, WITHDRAWAL OF  
ADMINISTRATIVE ORDER NSL-3633 , DENIAL OF MERIDIAN  
APPLICATION, AND REDEFINITION OF RHODES GAS  
POOL BOUNDARY TO INCLUDE MERIDIAN'S  
RHODES "B" FEDERAL NO . 7 WELL**

Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator ("Hartman") and James A. Davidson ("Davidson"), by their undersigned attorneys, and pursuant to Rule 1220 of the OCD Rules and Regulations and NMSA 1978 Section 70-2-13 (1995 Repl.), hereby move for a de novo hearing before the Oil Conservation Commission for the purpose of considering and denying the application of Meridian Oil Inc. ("Meridian") for an unorthodox location for its Rhodes "B" Federal No. 7 well ("No. 7 well") in the NW/4 of Section 26, T26S, R37E, Lea County, New Mexico. Hartman and Davidson request that the Commission authorize discovery in connection with this proceeding.

Meridian's application was approved by Administrative Order NSL-3633, issued February 28, 1996 without proper notice to Hartman and Davidson and without a hearing. A copy of the order is attached hereto as Exhibit A. Hartman and Davidson also request that the Commission withdraw Administrative Order NSL-3633. Hartman and

Davidson finally request that the Commission, in accordance with Rule 5 of the OCD's Miscellaneous Rules, redefine the present boundary between the Rhodes Gas Pool and the Rhodes Oil Pool in T-26-S, R-37-E, Lea County, New Mexico in order to bring all gas wells in the N/2 of Section 26, including Meridian's Rhodes "B" Federal No. 7 well, into the Rhodes Gas Pool. Such action would avoid creation of two separate but unequal classes of gas wells directly offsetting each other, but producing from the same pool and common source of supply.

As grounds for this Application, Hartman and Davidson state as follows:

I.

**FACTUAL BACKGROUND OF PARTIES AND TRACTS**

1. Meridian Oil Inc. ("Meridian") owns gas rights in a lease or leases in the NW/4 of Section 26, T-26-S, R-37-E, Lea County, New Mexico. On December 21, 1995, Meridian filed an application for administrative approval for an unorthodox location for its Rhodes "B" Federal No. 7 well in Section 26, and the matter was referred to Michael Stogner, an OCD examiner. The No. 7 well was to be a gas well in the Rhodes Gas Pool on 160-acre spacing. A copy of the original application is attached hereto as Exhibit B. As of February 27, 1996, Meridian had not filed a completion report for the No. 7 well. The well was apparently completed and placed on production at least by February 27, 1996, prior to the issuance of any Order approving the location.

2. Hartman and Davidson have working interests in the 80-Acre Dublin lease consisting of the E/2 SW/4 of Section 23, T-26-S, R-37-E, including gas rights in the Rhodes Yates-Seven Rivers producing interval underlying the lease. Texaco Exploration

and Production, Inc. ("Texaco") owns gas rights in the W/2 SW/4 of Section 23, T-26-S, R-37-E, including gas rights in the Rhodes Yates-Seven Rivers producing interval. The acreage of Hartman, Davidson and Texaco is located directly to the north of the NW/4 of Section 26 and involves the same pool and common source of supply from which the No. 7 well will produce. A copy of a map of the affected area is attached hereto as Exhibit C.

3. Meridian is the operator with respect to gas rights in Section 26 by virtue of the Rhodes Unit Agreement dated January 1, 1944 and executed March, 1944. That Agreement was executed by and between El Paso Natural Gas Co. (Meridian's predecessor in interest), The Texas Company (now Texaco), Colombian Carbon Co. (now Oxy) and Amerada Petroleum Corp. (now Amerada Hess). A copy of the Rhodes Unit Agreement is attached as Exhibit D.

4. The Rhodes Unit Agreement describes the tracts subject to the Agreement as follows:

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. (Emphasis added).

5. The signature page of the Rhodes Unit Agreement clearly depicts that Section 26 is among the tracts committed to the Rhodes Unit Agreement. Section 23, in which Hartman, Davidson and Texaco own interests, was not committed to the Rhodes Unit Agreement. See page 18 of Exhibit D.

6. Meridian initially sought agreement from Texaco and Oryx in 1995 authorizing Meridian to drill a well in the SW/4 of Section 23. Texaco suggested that Meridian secure a title opinion documenting ownership interests in Section 23. The title investigation revealed that Hartman, Davidson, et al., not Oryx, owned the operating rights as to the 80-Acre Dublin Federal lease consisting of the E/2 SW/4 of Section 23. Discussions terminated. Meridian then proceeded with its administrative application for an unorthodox location in the NW/4 of Section 26 which would necessarily affect, impact, and drain reserves from the SW/4 of Section 23. Meridian knew that gas rights in Section 23 were owned by Hartman, Davidson, et al.. In essence, Meridian sought by its unorthodox location in Section 26 to encroach upon gas reserves underlying Section 23 without the knowledge, approval or concurrence of Hartman and Davidson.

7. Both Texaco and Hartman have pending applications for force pooling as to the SW/4 of Section 23, which are scheduled to be heard March 21, 1996. The parties are confident that an agreement will be finalized for joint approval of a production program for the development of the SW/4 of Section 23 by or around March 21. The proposed Rhodes Gas Pool well for the 160-Acre gas proration unit consisting of the SW/4 of Section 23 will produce from the very same pool and the same common source of supply as Meridian's encroaching No. 7 well in Section 26.

8. Notwithstanding the fact that Hartman, Davidson and Texaco had objected to Meridian's application and requested a hearing before the OCD, the OCD granted Meridian's application administratively and without hearing by Administrative Order NSL-3633.

## II.

### LEGAL BASIS FOR THIS APPLICATION

#### **A. Meridian's Application Should be Denied Because it is Legally Insufficient and Fatally Defective.**

9. Meridian's Application is insufficient on its face in that Hartman and Davidson, as affected parties who own productive acreage as to the same pool and common source of supply from which Meridian's No. 7 well will produce, were not notified of the Application by certified or registered mail. Meridian's application does not state that such notification was given as required by Rule 104(F) of the OCD's Rules and Regulations. The application fails to apprise Hartman or Davidson that they had 20 days from filing of the application to file an objection. The application fails to include a plat showing diagonal and adjoining leases and a list of owners and affected parties. The application fails to comply with Rule 104F(4).<sup>1</sup>

10. Hartman and Davidson have never been provided with notice by certified mail of any Meridian Application pertaining to the No. 7 well as is required by the OCD rules. Meridian has never certified that proper notice has been given under Rule 104(F).

11. Meridian's application requests approval of an unorthodox location based upon alleged "topographic problems due to power lines, pipelines, etc.". The

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<sup>1</sup> Rule 104 was amended by the Commission on January 18, 1996. The amended rule's notice requirements are identical to those in the old rule. The amended rule defines as "affected parties" entitled to notice lessees of record of an adjoining lease owning interests in the same pool as the proposed well and owners of record of unleased mineral interests in the same pool as the proposed well. Rule 104(F)(3)(b)(ii) and (iii).

application fails, however, to include appropriate topographical maps (including critical dimensions) precisely depicting the nature of the alleged problem. The application fails to adequately describe the "topographic problems" which allegedly justify administrative approval. The application fails to indicate that the request for an unorthodox location moves the No. 7 well westerly away from an orthodox location and closer to an existing Northern Natural Gas Co. pipeline.

12. Meridian's application, on its face, fails to meet the requirements of Rule 104 and fails to justify the request for administrative approval. Locating a well closer to an existing pipeline is not the type of "topographical condition" which should be used to justify an application for administrative approval of an unorthodox location.

13. Neither the OCD nor the Commission have authority to grant an application which fails to conform with the OCD's rules and regulations. City of Albuquerque v. State Labor & Industrial Commission, 81 N.M. 288, 466 P.2d 565 (1970); Miller v. City of Albuquerque, 89 N.M. 503, 554 P.2d 665 (1976) (failure to comply with its own regulations fatal to agency action); State ex rel. Hughes v. City of Albuquerque, 113 N.M. 209, 824 P.2d 349 (Ct. App. 1991) (relief from agency decision authorized if procedures mandated by city ordinance were not followed even if the violation does not rise to constitution deprivation); New Mexico State Racing Commission v. Yoakum, 113 N.M. 561, 829 P.2d 7 (Ct. App. 1991), cert. denied, 113 N.M. 352, 826 P.2d 573 (1992) (suspension by State Racing Commission void because commission failed to follow its own regulation).

14. Meridian's application should be denied for failure to comply with the requirements of Rule 104.

**B. Meridian's Original Application Should be Denied Because Meridian Violated the Due Process Rights of Hartman and Davidson and Violated OCD Rules and Regulations By Failing to Give Proper Notice of its Application.**

15. Hartman and Davidson are entitled to proper notice of Meridian's application as affected parties under amended Rule 104(F)(3)(b)(ii) and (iii) and as lessees and operators of proration or spacing units offsetting the acreage or unit for which the unorthodox location for the No. 7 well was sought under prior Rule 104(F). Meridian was fully aware of Hartman's and Davidson's interests in Section 23 at the time it applied for administrative approval. Under either rule and elementary principles of due process, Hartman and Davidson were entitled to notice of Meridian's application and to a hearing on the application. Uhden v. New Mexico Oil Conservation Commission, 112 N.M. 528, 817 P.2d 721 (1991).

16. Notwithstanding Meridian's failure to comply with Rule 104(F), Hartman and Davidson accidentally discovered the existence of the No. 7 well on or about January 22, 1996, and objected to Meridian's Application by letters dated January 23, 24, 25 and 31, and February 26, 27 and 28, 1996. Copies of that correspondence, provided to the OCD, are attached hereto as Exhibit E. In objecting to Meridian's Application, Hartman and Davidson requested that the matter be set for hearing and that the application not be considered or approved administratively.

17. Meridian sent Hartman a copy of the original application by uncertified mail letter dated January 29, 1996, admitting to its failure to provide proper notice. A copy of that letter is attached as Exhibit F. Meridian never sent the original application to Davidson.

18. Texaco Exploration and Production, Inc., another offset operator, also objected to Meridian's Application by letters dated February 2 and 26, 1996 and requested that the application be set for hearing. Copies of the Texaco correspondence are attached as Exhibit G.

19. Although Meridian failed to provide proper notice, and despite the fact that there were valid objections from Hartman, Davidson and Texaco on record opposing Meridian's application for administrative approval and requesting a hearing, the OCD considered and ultimately approved Meridian's application administratively, without affording Hartman and Davidson (and Texaco) a hearing in violation of both Rule 104(F) and elementary due process rights and principles. Uhden, supra; Miller v. City of Albuquerque, supra.

**C. Meridian's Amended Application Should be Denied and Administrative Order NSL-3633 Withdrawn Because Meridian Violated the Due Process Rights of Hartman and Davidson and Violated OCD Rules and Regulations By Failing to Give Proper Notice of its Amended Application.**

20. Meridian's original application sought approval for a Rhodes gas pool well on 160-acre spacing at an unorthodox location. A copy of the original C-102 form is attached hereto as part of Exhibit B. At some point during the application review process, apparently in January, 1996, the C-102 was modified to suggest an application for a "so-

called" 40-Acre Rhodes Yates-Seven Rivers ("Rhodes Y-SR") oil pool gas well. A copy of the modified C-102, which was treated by the OCD as an Amended Application, is attached as Exhibit H.

21. By January 29, 1996, Meridian knew that the application for administrative approval of an unorthodox location had been amended to reflect a request for a "so-called" Rhodes Y-SR Oil Pool gas well on 40-Acre spacing. Nevertheless, on January 29, Meridian sent Hartman (but not Davidson) notice of the original incomplete application, not the amended application which was in fact being considered by the OCD as of that date. Meridian intentionally withheld from Hartman and Davidson, and failed to provide notice of the amended application. The amended C-102 form was never served on Hartman or Davidson by Meridian.

22. The OCD hearing examiner had notice of the amendment to the application at least as of February 1, 1996. See fax transmission to Michael Stogner dated February 1, 1996, attached as Exhibit I. The OCD also never gave notice to Hartman or Davidson that it was considering an amended application. Hartman first discovered the amended C-102 form on February 26, 1996 while reviewing a copy of the No. 7 well file from the OCD's Hobbs office.

23. The OCD granted Meridian's administrative application for an unorthodox location based upon the amended C-102 and application, not the original application filed by Meridian and served on Hartman January 29, 1996. The OCD's action in ruling on an amended application which was not properly served on Hartman and

Davidson violates the OCD's own rules and Hartman's and Davidson's right to due process.

Uhden, supra.

24. Meridian has never submitted an amended application for its proposed No. 7 well which conforms with the notice requirements of Rule 104(F). Although Meridian failed to provide proper notice, and despite the fact that there were valid objections from Hartman, Davidson and Texaco on record opposing Meridian's amended application for administrative approval and requesting a hearing, the OCD considered and ultimately approved Meridian's application administratively, without affording Hartman and Davidson a hearing, in violation of both Rule 104(F) and elementary due process rights and principles. Uhden, supra; Miller v. City of Albuquerque, supra.

**D. Meridian's Amended Application Should be Denied and Administrative Order No. NSL-3633 Withdrawn Because the OCD Violated the Due Process Rights of Hartman and Davidson and Violated its Own Rules and Regulations by Considering and Approving the Amended Application.**

25. In granting Meridian's amended Application, the Division attempted to avoid the notice problem and justify its treatment of the application administratively, and without a hearing on the merits, by incorrectly holding that notification was proper "since Meridian itself in this instance is the affected party." Administrative Order NSL-3633, p. 2.

26. The determination by the Division that Hartman and Davidson are not affected parties, or are not entitled to notice, hearing, and an opportunity to be heard on Meridian's application, is contrary to the OCD's own rules and regulations as set forth in Rule 104(F) and violates of Hartman's and Davidson's due process rights. Uhden, supra.

27. The No. 7 well will produce from the same pool or common source of supply as the joint Hartman/Texaco well proposed in Section 23. The operation of the No. 7 well, particularly at an unorthodox location only 330-feet from the southern boundary of the Texaco and Hartman/Davidson leases, will necessarily affect and diminish the rights of Hartman and Davidson (and Texaco) to fully develop and benefit from their acreage in Section 23.

28. The OCD's approval of Meridian's application denies Hartman and Davidson (and Texaco) the right to produce their just and equitable share of gas from the Rhodes Yates-Seven Rivers Pool, since the No. 7 well produces from the same common source of supply as the well proposed by Hartman/Texaco in the SW/4 of Section 23. The Division's grant of Meridian's application thus violates NMSA 1978 § 70-2-17(A) (1995 Repl.).

29. The OCD's failure and refusal to give Hartman and Davidson notice and an opportunity to be heard on Meridian's amended application violates the OCD's own rules and regulations, and Hartman's and Davidson's due process and equal protection rights under both the New Mexico and United States Constitutions. Uhden, supra; Miller, supra.

**E. Administrative Order NSL-3633 Should be Withdrawn as Fatally Defective Because it Fails to Make Any Finding Supporting Administrative Consideration and Approval of Meridian's Amended Application.**

30. Administrative Order NSL-3633 fails, on its face, to make any finding or reach any conclusion which justifies treatment of Meridian's application administratively

and without notice, hearing and an opportunity to be heard by all parties, including Hartman and Davidson. While Meridian's application attempted to justify the unorthodox location based upon "topographic problems", the Order contains no finding on the nature of the alleged "topographic problems" which justifies administrative treatment of the application without a hearing.

31. There is no evidence in this record to support Meridian's claims in the application that the unorthodox location was chosen because of reasonably justifiable "topographic problems." Had any such finding been made, it would be arbitrary, capricious, and not supported by substantial evidence. The unorthodox location brings the well closer to an existing pipeline hazard and not away from a pipeline hazard. In fact, Meridian has chosen the unorthodox location specifically to provide itself with a competitive advantage in producing gas from the same pool and the same common source of supply to the detriment of Hartman and Davidson (and Texaco).

**F. The Commission Should Permit Hartman and Davidson to Undertake Discovery in this Proceeding Given These Facts and the Procedural Irregularities Which Attended the OCD Proceedings.**

32. Meridian's actions in connection with this application and the temporal relationship to Meridian's prior attempts to develop Section 23 itself, where Meridian has no interest in Section 23, are highly irregular and suspicious. Meridian's activities indicate a conscious and willful attempt to ignore the real property interests of Hartman and Davidson at best, and to deprive Hartman and Davidson of their real property interest, and their right to develop their just share of gas, at worst. Hartman and Davidson require discovery from Meridian in order to determine exactly what actions Meridian has undertaken in this regard,

who is responsible for those actions, the timing of those actions, as well as the motivation behind Meridian's activities.

33. The application review and approval process which Meridian rushed through the OCD in this matter is burdened by procedural and due process irregularities. Hartman and Davidson are not privy to all the facts and details surrounding these irregularities. Nevertheless, the information Hartman and Davidson have learned, as well as the irregularities which are apparent on the face of this record, confirm the need for discovery from Meridian and Division officials and employees on the process by which this Meridian application was originally submitted, subsequently amended, and ultimately approved administratively notwithstanding record objections from affected parties.

34. Hartman and Davidson are informed and believe that representatives of the OCD met ex parte and had communications with Meridian representatives regarding the Application. Hartman and Davidson do not know whether those ex parte meetings and communications occurred (a) before or after the application was amended or (b) before or after Hartman's and Davidson's objections were made part of the record.

35. Hartman and Davidson are entitled to know the process by which the Application came to be amended, and request that discovery be allowed in the course of this proceeding in order to determine how the change came about, the identity of the persons involved in the change, and why the change, which is a highly substantive change relating to the application, was never communicated to Hartman and Davidson throughout the application process, notwithstanding their record objections to the application. In re Miller, 88 N.M. 492, 542 P.2d 1182 (Ct. App.), cert. denied, 89 N.M. 5, 546 P.2d 70 (1975)

(administrative proceedings must conform to fundamental principles of justice and due process requirements including pretrial discovery).

**G. The Boundaries of the Rhodes Gas Pool Should be Redefined to Include the No. 7 Well in Accordance with OCD Rules, Regulations, Orders and Prior Practice.**

36. The OCD created the Rhodes Gas Pool in 1982 by Order R-6891, attached as Exhibit J. The proceeding was initiated by the application of El Paso Natural Gas Company in Case 7416 for pool creation and redelineation, Lea County, New Mexico. El Paso is the predecessor in interest to Meridian as to the Meridian leases at issue in this application. In creating the Rhodes Gas Pool, the OCD was concerned with establishing the gas/oil contact line (line between the oil zone and the gas zone) for the Rhodes Pool common source of supply in order to ensure that gas wells would be assigned to the gas pool and oil wells assigned to an oil pool:

It was also suggested to us in our visit to 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 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.

A partial copy of the transcript of the Examiner Hearing from case 7416 is attached hereto as Exhibit K.

37. At the time of El Paso's application and the creation of the Rhodes Gas Pool in 1982, there were no producing oil or gas wells drilled in the N/2 NW/4 and

NE/4 of Section 26 that provided reliable information which would allow the Commission to properly establish the boundary between the Rhodes Oil Pool and the Rhodes Gas Pool, as to Section 26, based upon actual production. Since that time, subsequently developed production, including the completion of the No. 7 well as a gas well, clearly establishes that the No. 7 well is located on the gas pool side of the Rhodes Pool gas/oil contact line and clearly belongs in the Rhodes Gas Pool.

38. Since establishment of the Rhodes Gas Pool in 1982, the OCD has consistently recognized and adjusted the boundary between the gas and oil zones in the reservoir and has assigned gas wells to the gas pool portion and oil wells to the oil pool portion. It is clear, based upon production in the area, including the recent results of Meridian's No. 7 well, Meridian's previously drilled Lineberry "B" Federal No. 1 well<sup>2</sup> in the N/2 of Section 26, and Meridian's Rhodes "A" Federal No. 4 in the SW/4 of Section 22, that the No. 7 well is and should be assigned to the Rhodes Gas Pool. The No. 7 well is a gas well producing from the Rhodes Pool interval and lies on line between the Rhodes "A" Federal No. 4 and Lineberry "B" Federal No. 1, both of which are Rhodes Gas Pool wells. See Exhibit M. The No. 7 well is a gas well producing from the same common source of supply as Hartman's/Texaco's proposed Rhodes Gas Pool well in the SW/4 of Section 23.

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<sup>2</sup> A copy of OCD forms which treat this well as a Rhodes Gas Pool well and the well completion log for this well are attached as Exhibit L.

**G. Meridian's Amended Application Should be Denied for Failure to Request Treatment for the No. 7 Well as the Rhodes Gas Pool Well it is.**

39. Administrative Order NSL-3633 approves the No. 7 well as a gas well in an oil pool subject to 40-acre spacing. The No. 7 well is, in reality, a gas well in the gas zone portion of the Rhodes Pool common source of supply and must necessarily be made subject to Rhodes Gas Pool spacing and set-back requirements. Rule 5 of the Miscellaneous Rules of the OCD provides:

The Division will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be. and from time to time classify and reclassify wells and name pools accordingly . . . . (Emphasis added).

40. Treatment of this well as a gas well in the Rhodes Oil Pool creates two distinct and unequal classes of gas wells producing from the same common source of supply. This result is inconsistent with prior OCD precedent for gas wells drilled in Section 26, inconsistent with the letter and spirit of Order R-6891 establishing the Rhodes Yates-Seven Rivers Gas Pool, and inconsistent with Rule 5 of the Miscellaneous Rules of the OCD Rules and Regulations.

41. Treating Meridian's No. 7 well a gas well in an oil pool gives Meridian preferential treatment and advantage which violates NMSA 1978 § 70-2-17(A) (1995 Repl.) (rules, regulations and orders of the Division shall, insofar as practicable, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool).

42. Authorizing Meridian to drill at a location just 330 feet south of the property line separating the Meridian lease and the Hartman/Davidson Dublin lease to the north, would grant Meridian an unfair advantage by allowing Meridian to encroach upon gas reserves from the same pool and a common source of supply which underlies all of the leases in the affected area. The OCD, by Administrative Order NSL-3633, granted Meridian a distinct advantage, but took no steps to offset this advantage as authorized under Rule 104(G).

WHEREFORE, Hartman and Davidson respectfully request that the Commission set this matter for de novo hearing, authorize Hartman and Davidson to undertake discovery prior to public hearing, withdraw Administrative Order NSL-3633, and, following hearing, deny Meridian's Application in its entirety. The Commission should recognize the geologically correct location of the gas/oil contact line for the Rhodes Pool common source of supply and redefine the limits of the Rhodes Gas Pool to include the No. 7 well.

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

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused a true and correct copy of the foregoing to be hand-delivered on this 15th day of March, 1996, to the following counsel of record:

William F. Carr, Esq.  
Campbell, Carr & Berge, P.A.  
110 N. Guadalupe, Suite 1  
Santa Fe, New Mexico 87501

Thomas W. Kellahin, Esq.  
Kellahin & Kellahin  
117 N. Guadalupe  
Santa Fe, New Mexico 87501

and mailed to:

Donna Williams  
Meridian Oil, Inc.  
Post Office Box 51810  
Midland, Texas 79710-1810

  
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MICHAEL J. CONDON



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 S. PACHECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-7131

February 28, 1996

RECEIVED  
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CALLEGOS LAW FIRM P.C.

Meridian Oil, Inc.  
P.O. Box 51810  
Midland, Texas 79710-1810  
Attn: Donna Williams

*Administrative Order NSL-3633*

Dear Ms. Williams:

Reference is made to your application dated December 21, 1995 for the following two unorthodox "gas" well locations in the Rhodes-Yates-Seven Rivers (Oil) Pool, and the supplement correspondence regarding same from Meridian Oil, Inc. dated January 29, 1996, February 1, 2, and 20, 1996, and from Texaco Exploration and Production Inc. dated February 2 and 26, 1996 and Doyle Hartman, Oil Operator dated January 23, 24, and 31, and February 26 and 27, 1996:

- Rhodes "B" Federal Well No. 4 to be drilled 330 feet from the North line and 1470 feet from the West line (Unit I) of Section 27; and,
- Rhodes "B" Federal Well No. 7 to be drilled 2418 feet from the South line and 553 feet from the East line (Unit C) of Section 26.

Both well locations are in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico.

The circumstances involved in this matter are somewhat unique in nature, complicated contractually, and is based on existing poolwide practices and development under the terms of the Rhodes Unit Agreement; therefore, since both wells are proposed and expected to be classified as gas wells in an established "oil pool" then both will be subject to Division General Rules 506.A and 104.C(1)(a).

It is proposed and appropriate to dedicate to the No. 4 well a standard 40-acre tract comprising the NE/4 SE/4 (Unit I) of said Section 27 and the No. 7 well will likewise have dedicated to it a standard 40-acre tract comprising the NE/4 NW/4 (Unit C) of said Section 26. Pursuant to

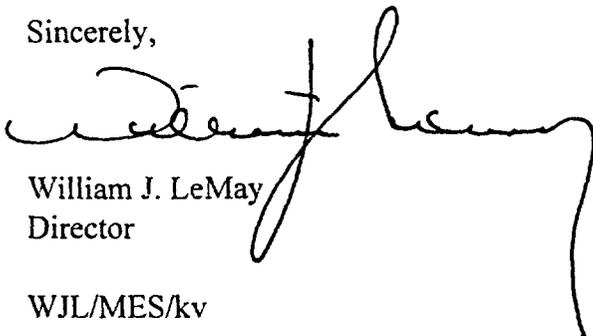
MJK  
JEG

said **Rule 104.C(1)(a)** development wells in defined oil pools shall be spaced on 40-acre tracts with well locations to be no closer than 330 feet to any boundary of such tract. Further, pursuant to said **Rule 506.A** each of the aforementioned 40-acre tracts shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. For the Rhodes-Yates-Seven Rivers (Oil) Pool the top unit oil allowable is 80 barrels of oil per day and the limiting gas-oil ratio is 10,000 cubic feet of gas per barrel of oil, as established by Division Order No. R-520, dated August 12, 1954, or 800 MCF of gas per day.

Both applications have been duly filed under the provisions of **Rule 104.F** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996. Furthermore, it should be noted that the No. 4 well encroaches only the 40-acre tract to the north, the SE/4 NE/4 (Unit H) of said Section 27, and the No. 7 well encroaches only the 40-acre tract to the west, the NW/4 NW/4 (Unit D) of said Section 26, both tracts of which the gas rights are controlled by Meridian Oil, Inc. Proper notification was therefore provided under **Rule 104.F(3)(a)** since Meridian itself in this instance is the "affected party".

By the authority granted me under the provisions of Division General **Rule 104.F(2)**, both of the above-described unorthodox gas well locations are hereby approved.

Sincerely,



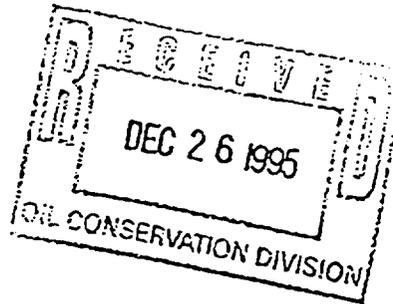
William J. LeMay  
Director

WJL/MES/kv

cc: Jerry Sexton, District Supervisor - Oil Conservation Division, Hobbs.  
Rand L. Carroll, Legal Counsel - Oil Conservation Division, Santa Fe  
U. S. Bureau of Land Management - Carlsbad  
Leslyn M. Swierc, Meridian Oil, Inc. - Midland, Texas  
W. Thomas Kellahin - Santa Fe  
William F. Carr - Santa Fe  
Michael J. Condon, Gallegos Law Firm - Santa Fe ✓  
Doyle Hartman, Oil Operator - Midland, Texas

# MERIDIAN OIL

December 21, 1995



Mr. Michael Stogner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

RE: Request for two (2) Non-Standard Locations  
Rhodes 'B' Federal Well No. 4  
2418' FSL & 553' FEL  
Sec. 27, T26S, R37E  
  
Rhodes 'B' Federal Well No. 7  
330' FNL & 1470' FWL  
Sec. 26, T26S, R37E  
  
Lea County, New Mexico  
Federal Lease No: LC 030174-B

Mr. Stogner:

Meridian Oil Inc. respectfully request approval for two non-standard locations on the proposed above referenced new drill locations. This is pursuant to the request by the District Office in Hobbs. These were intended to be standard locations, but upon the staking, it was discovered to have topographic problems due to powerlines, pipelines, etc.

Should you have any questions, or need additional information, please do not hesitate to contact me at 915-688-6943.

Sincerely,

Donna J. Williams  
Regulatory Compliance

**EXHIBIT "B"**

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-102  
 Revised February 21, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* All Number		* Pool Code 83810	* Pool Name Rhodes Gas Pool
* Property Code 17608	* Property Name RHODES "B" FEDERAL		* Well Number 7
* OGRID No. 26485	* Operator Name MERIDIAN OIL INC.		* Elevation 2994

<sup>10</sup> Surface Location

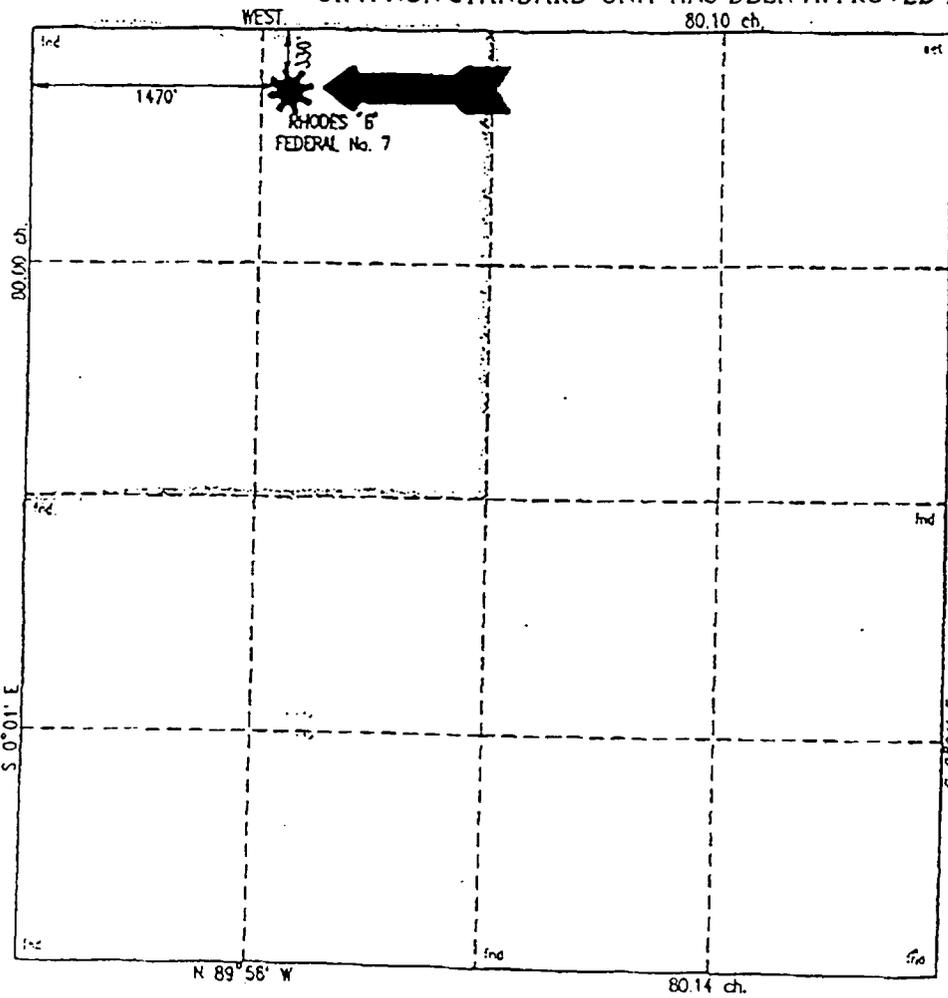
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Area	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



**<sup>17</sup> OPERATOR CERTIFICATION**  
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

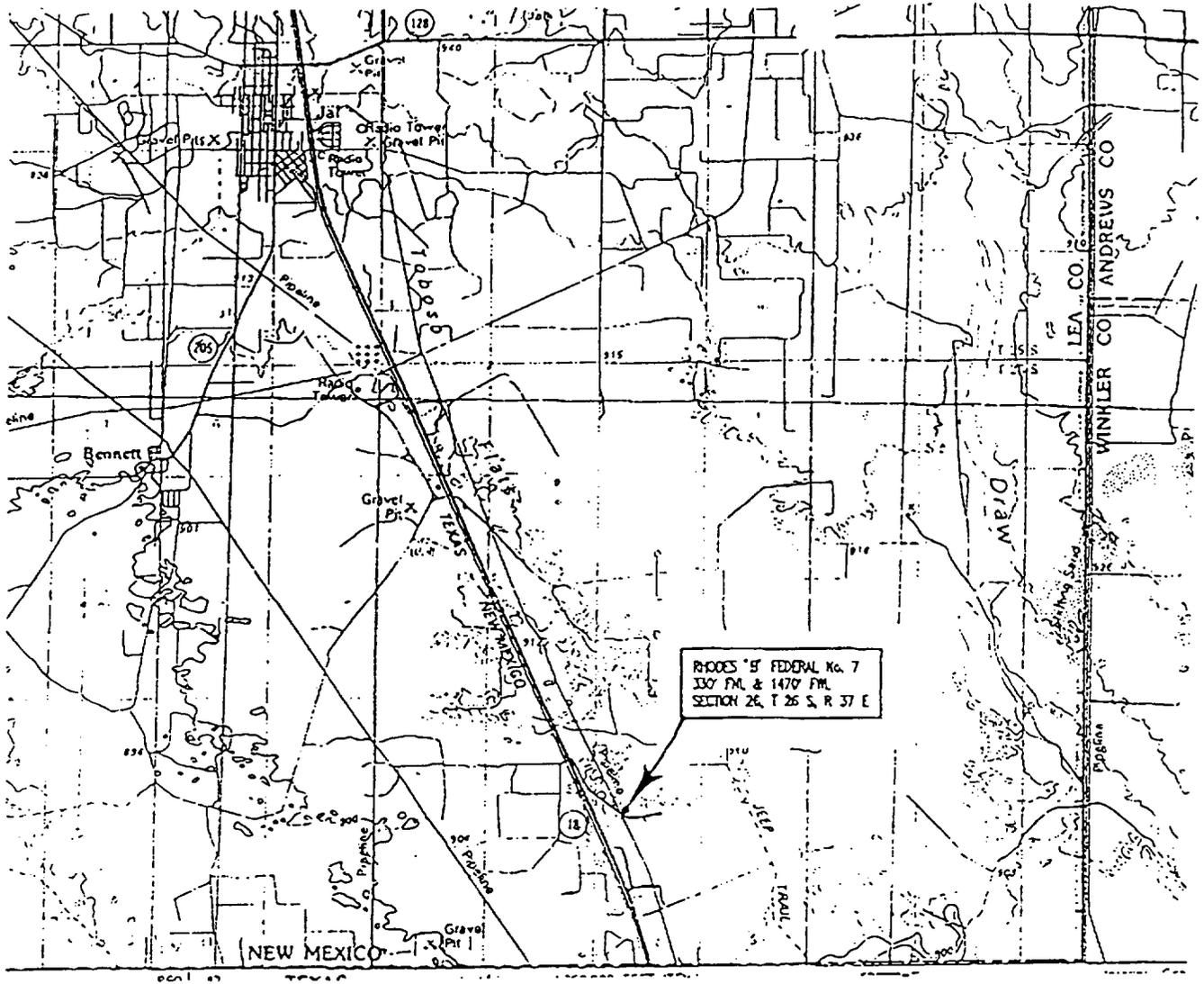
Signature: *[Signature]*  
 Printed Name: Donna Williams  
 Title: Regulatory Compliance  
 Date: 10/23/95

**<sup>18</sup> SURVEYOR CERTIFICATION**  
 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 belief.

Date of Survey: OCTOBER 18, 1995

Signature and Seal of Professional Surveyor: *[Signature]*  
 WILLIAM E. MAHNKE  
 PROFESSIONAL SURVEYOR  
 Certificate Number 24685

NOTE - REVISED 10-19-95:  
 MOVED LOCATION



**DIRECTIONS:**

FROM THE INTERSECTION OF NEW MEXICO HIGHWAY 18 AND NEW MEXICO HIGHWAY 128 IN JAL, NEW MEXICO, GO SOUTH ON N.M. HWY 18 FOR 6.9 MILES, THEN TURN LEFT ON TO AN EXISTING LEASE ROAD AND GO 0.7 MILES TO LOCATION.

- PAVED HIGHWAY
- - - - - EXISTING LEASE ROAD

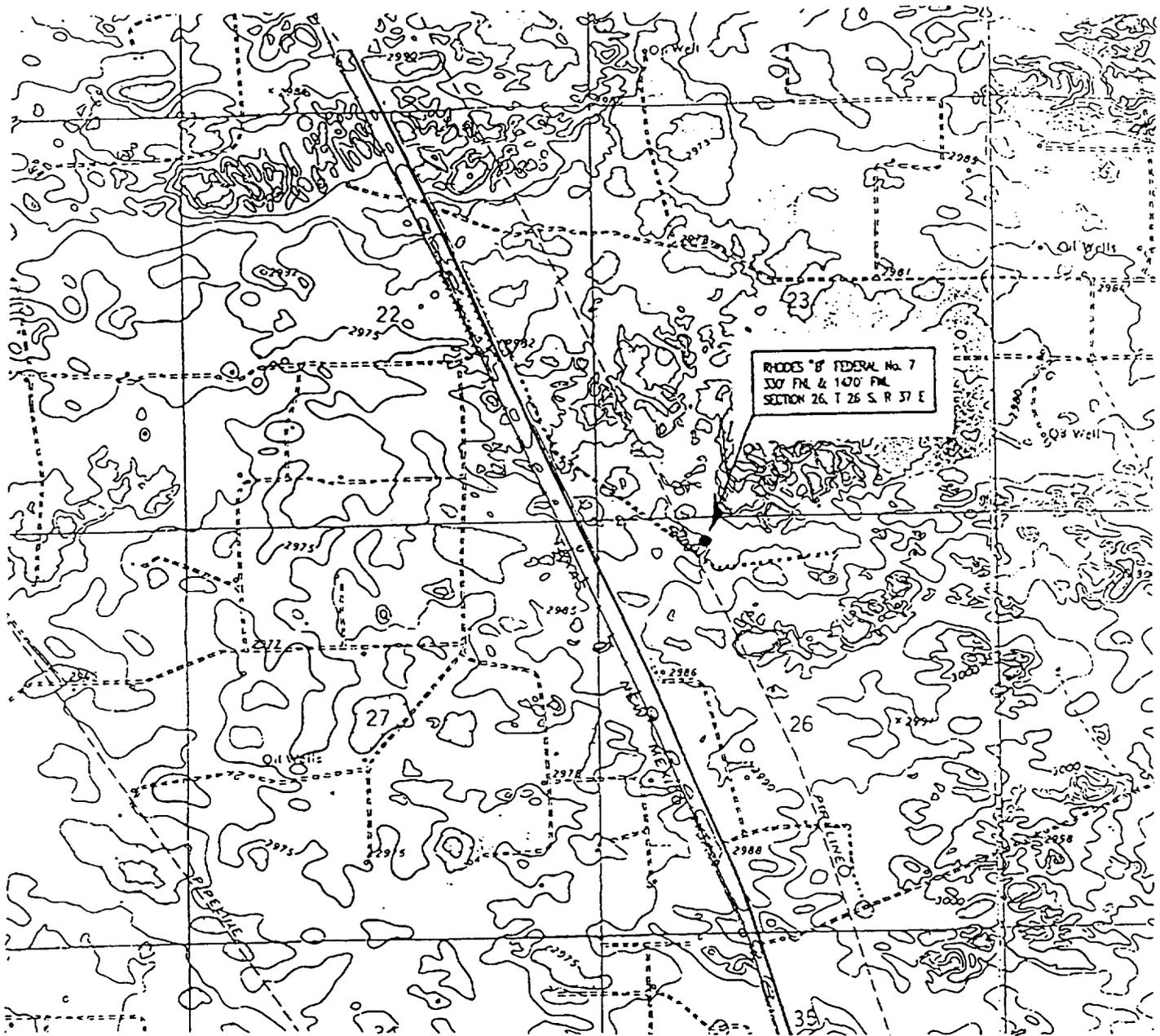
NOTE - REVISED 10-20-95;  
MOVED LOCATION

<p><b>MERIDIAN OIL INC.</b>  <b>RHODES "B" FEDERAL No. 7</b></p>
<p>ROAD MAP AND DIRECTIONS</p>
<p>-LEA COUNTY, NEW MEXICO</p>
<p>date: OCTOBER 15, 1995    scale:</p>



*Laughtin-Simmons of Texas*

MIDLAND DISTRICT OFFICE  
 (915) 699-1238  
 In State TOLL FREE :  
 1-800-242-3028  
 P.O. BOX 1757  
 MIDLAND, TEXAS 79702



=====  
 PAVED HIGHWAY

=====  
 EXISTING LEASE ROAD

NOTE - REVISED 10-20-85:  
 MOVED LOCATION



Loughlin-Simmons of Texas

MIDLAND DISTRICT OFFICE  
 (915) 699-1238  
 In State TOLL FREE 1  
 1-800-242-3028

P.O. BOX 1757  
 MIDLAND, TEXAS 79702

<p>MERIDIAN OIL INC.          RHODES "B" FEDERAL No. 7</p>
<p>PROPOSED ACCESS</p>
<p>LEA COUNTY, NEW MEXICO</p>
<p>date: OCTOBER 15, 1995 scale: 1"=2000'</p>



U N I T   A G R E E M E N T

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

EXHIBIT "D"

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 W/2; E/2 SW/4; W/2 SE/4; SE/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: NW/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 NW/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.

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, 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 determined by said Secretary.

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 C. G. CRAGIN (SGD)  
Vice President

Attest: J. E. FRANEY (SGD)  
Secretary

Sec. 7: NE $\frac{1}{4}$ NE $\frac{1}{4}$

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

Sec. 9: SW $\frac{1}{4}$ NE $\frac{1}{4}$

Gas rights only to 4000' depth in:

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

Sec. 10: SW $\frac{1}{4}$ SW $\frac{1}{4}$ ; SE $\frac{1}{4}$ SE $\frac{1}{4}$

✓ Sec. 15: NE $\frac{1}{4}$ NE $\frac{1}{4}$ ; NW $\frac{1}{4}$ NW $\frac{1}{4}$ ; S $\frac{1}{2}$ N $\frac{1}{2}$

✓ Sec. 5: All

✓ Sec. 6: NE $\frac{1}{4}$ NW $\frac{1}{4}$ ; NE $\frac{1}{4}$ ; N $\frac{1}{2}$ SE $\frac{1}{4}$ ; SE $\frac{1}{4}$ SE $\frac{1}{4}$

✓ Sec. 8: NW $\frac{1}{4}$ ; N $\frac{1}{2}$ SW $\frac{1}{4}$ ; SE $\frac{1}{4}$ SW $\frac{1}{4}$ ; E $\frac{1}{2}$

✓ Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{4}$ ; NW $\frac{1}{4}$ NE $\frac{1}{4}$ ; W $\frac{1}{2}$ ; SE $\frac{1}{4}$

✓ Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{4}$ ; SE $\frac{1}{4}$ NW $\frac{1}{4}$

✓ Sec. 15: S $\frac{1}{2}$

✓ Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$

✓ Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{4}$ ; NW $\frac{1}{4}$ NE $\frac{1}{4}$

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 March 22, 1944, 1944.

THE TEXAS COMPANY

By J. S. LEACH (sgd)  
J.S. LEACH VICE President

Attest: J. B. DUKE (sgd)  
SEAL J. B. Duke Assistant Secretary

Sec. 5: All

Sec. 6: NE $\frac{1}{4}$ NW $\frac{1}{4}$ ; NE $\frac{1}{4}$ ; N $\frac{1}{2}$ SE $\frac{1}{4}$ ; SE $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 8: NW $\frac{1}{4}$ ; N $\frac{1}{2}$ SW $\frac{1}{4}$ ; SE $\frac{1}{4}$ SW $\frac{1}{4}$ ; E $\frac{1}{2}$

Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{4}$ ; NW $\frac{1}{4}$ NE $\frac{1}{4}$ ; W $\frac{1}{2}$ ; SE $\frac{1}{4}$

Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{4}$ ; SE $\frac{1}{4}$ NW $\frac{1}{4}$

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

Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$

Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{4}$ ; NW $\frac{1}{4}$ NE $\frac{1}{4}$

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 March 31, 1944.

COLUMBIAN CARBON COMPANY

By REID L. CARR (sgd)  
President

Attest: GEO. L. BUBB (sgd)  
SEAL Asst. Secretary

Date April 6, 1944.

AMERADA PETROLEUM CORPORATION

By ALLMAND M. BLOW (sgd)  
Vice-Pres.

Attest: L. G. ETCHISON (SGD)  
SEAL Asst. Secy.

Approved as to terms:

?? 3/16/44 C. B. WILLIAMS (sgd)

# DOYLE HARTMAN

*Oil Operator*

---

February 28, 1996

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

Attn: Michael J. Stogner  
Chief Hearing Officer

Re: Unorthodox Location  
Meridian Oil Inc.  
Rhodes "B" Federal No. 7

Gentlemen:

By letters dated December 21, 1995, and January 29, 1996, Meridian made application to the NMOCD for an unorthodox well location for its Rhodes "B" Federal No. 7 well situated 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico.

NMOCD Rule 104(F)(3) pertaining to unorthodox well locations states that ..."applications for administrative approval of unorthodox locations"... should be accompanied by a plat showing the subject spacing unit..." The original C-102 plat (copy enclosed), that was submitted by Meridian as part of its Rhodes "B" Federal No. 7 unorthodox location application, described the dedicated proration unit as being the 160-acre tract consisting of the NW/4 of Section 26, T-26-S, R-37-E. Meridian's "APD" and C-102 also classified the proposed new well as a "Rhodes Gas Pool" well.

As offset operators affected by Meridian's Rhodes "B" Federal No. 7 well, Doyle Hartman and James A. Davidson have received no amended notices from Meridian pertaining to Meridian's Rhodes "B" No. 7 unorthodox well location application. However, a review yesterday of the NMOCD's Hobb's well file for the Rhodes "B" Federal No. 7 well reveals that Meridian has apparently amended its "APD" and C-102 for the Rhodes "B" Federal No. 7 well, but, as required under Rule 104(F)(3), has failed to furnish Hartman and Davidson with a revised unorthodox location application that includes Meridian's amended acreage dedication.

As a consequence of Meridian's revised C-102, and based on Meridian's letter to the NMOCD of February 20, 1996, we are assuming that Meridian expects to operate its Rhodes "B" Federal No. 7 well as a "gas well in an oil pool" located on a 40-acre proration unit, which well classification

## EXHIBIT "E"

Michael J. Stogner  
February 28, 1996  
Page two

allows Meridian to produce from the same identical producing interval that corresponds to the Rhodes Yates-Seven Rivers Gas Pool, but under more liberal setback requirements (330' versus 660') and closer well spacing (40-acres compared to 160-acres).

Therefore, because of the inherent advantages already provided to a well classified as a "gas well in an oil pool", as affected offsetting parties owning interests under the proposed 160-acre Rhodes Gas Pool proration unit consisting of the SW/4 Section 23, T-26-S, R-37-E, this letter is notice that Doyle Hartman and James A. Davidson object to Meridian's unorthodox Rhodes "B" Federal No. 7 Rhodes Yates-Seven Rivers Oil Pool location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, which unorthodox location encroaches closer, than existing rules would otherwise allow, to Texaco's pending compulsory-pooling Rhodes Gas Pool location consisting of 660' FSL and 660' FWL of Section 23, T-26-S, R-37-E.

Finally, being that Meridian's "APD" for its Rhodes "B" No. 7 well was approved subject to the condition that it "...CANNOT produce until its non-standard [unorthodox] location is approved...", we respectfully request that Meridian be restricted from producing its Rhodes "B" No. 7 well until a hearing has been held before the NMOCD.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosure (1)

d:\letters\dh2281.doc

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

Leslyn Swiërc  
Meridian Oil Company  
3300 North "A" Street, Building Six  
P.O. Box 51810  
Midland, TX 79705-5406

Daniel S. Nutter  
105 E. Alciante  
Santa Fe, NM 87050

J.E. Gallegos  
Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505

Michael J. Condon  
Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505

William F. Carr  
Campbell, Carr & Berge, P.A.  
P.O. Box 2208  
Santa Fe, NM 87504-2208

James A. Davidson  
P.O. Box 494  
Midland, TX 79702

Don Mashburn  
Steve Hartman  
Cindy Brooks

**DOYLE HARTMAN**  
*Oil Operator*  
3811 TURTLE CREEK BLVD., SUITE 730  
DALLAS, TEXAS 75219

(214) 520-1800  
(214) 520-0811 FAX

February 27, 1996

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

Attn: Michael J. Stogner  
Chief Hearing Officer

Re: Unorthodox Well Location  
Meridian Oil Inc.

Rhodes "B" Federal No. 7  
Lea County, New Mexico  
Section 26, T-26-S, R-37-E, N.M.P.M.

Gentlemen:

Reference is made to Meridian's pending application to the NMOCD for approval of an unorthodox Rhodes Yates-Seven Rivers location for its recently drilled Rhodes "B" No. 7 well situated 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico. As you are aware, a distance of 1470' FWL of Section 26 equates to an unorthodox distance of 150' FWL of the 40-acre tract consisting of the NE/4NW/4 Section 26, which 40-acre tract is now being dedicated by Meridian to its newly drilled Rhodes "B" No. 7 well as per the amended C-102 (copy enclosed) found today on file at the NMOCD's Hobbs office.

Although the NMOCD's Hobbs office also has on file a copy of Meridian's "APD" for the Rhodes "B" Federal No. 7 well (copy enclosed), which "APD" was approved for "...drilling only..." and specifically stated "...CANNOT produce until non-standard location is approved...", no final completion report or C-104 has yet been received by the NMOCD for the subject well. However, a drive today past the subject well has revealed that the well has already been turned into the gas sales line as an actively-producing Rhodes Yates-Seven Rivers interval well.

Michael J. Stogner  
February 27, 1996  
Page 2

Therefore, because of Texaco's long-time and continuous dedication, to its Rhodes Yates-Seven Rivers interval waterflood (oil) project, of the west-offset 40-acre tract consisting of the NW/4NW/4 Section 26, as adjacent and diagonal working interest owners affected by Meridian's encroachment further westward than Meridian would otherwise be allowed to move, this is Doyle Hartman's and James A. Davidson's third written objection to Meridian's proposed Rhodes "B" Federal No. 7 unorthodox location and our first notice that we also object to the well being actively produced into the gas sales line prior to an NMOCDD hearing being held and an order being issued authorizing an unorthodox location for the Rhodes "B" Federal No. 7 well.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures (2)

rcp  
wpdoc\corresp.dh\rhodesb.fed

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

Leslyn Swierc  
Meridian Oil Company  
3300 North "A" Street, Building Six  
P.O. Box 51810  
Midland, TX 79705-5406

Daniel S. Nutter  
105 E. Alciante  
Santa Fe, NM 87050

Michael J. Stogner  
February 27, 1996  
Page 3

J.E. Gallegos  
Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505

Michael J. Condon  
Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505

William F. Carr  
Campbell, Carr & Berge, P.A.  
P.O. Box 2208  
Santa Fe, NM 87504-2208

James A. Davidson  
P.O. Box 494  
Midland, TX 79702

Don Mashburn  
Steve Hartman  
Cindy Brooks

# DOYLE HARTMAN

*Oil Operator*

---

February 26, 1996

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

Re: Unorthodox Location  
Meridian Oil Inc.  
Rhodes "B" Federal No. 7

Gentlemen,

Reference is made to Meridian's letter to the NMOCD of February 20, 1996 (received by us February 26, 1996), concerning Meridian's administrative application for approval of an unorthodox gas well location for its Rhodes "B" Federal No. 7 well consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E. Upon first reading Meridian's letter and observing Meridian's rationale, I first thought that we had returned to the days of King John, the Sheriff of Nottingham, and King John's private hunting preserve (Sherwood Forest).

In its letter to you of February 20, 1996, Meridian stated that because of prior agreements between Texaco and Meridian,

"... the 330' location to the offset lease is a legal location. . ."

Unless we have missed something very important, we believe that Meridian's claim that its requested Rhodes "B" Rhodes gas well location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37E is a "legal location" is a clear contradiction to its application to the NMOCD for an unorthodox gas well location. Meridian is obviously making an application for an unorthodox gas well location because a 160-acre gas well location situated 330' from a section line is not an orthodox location.

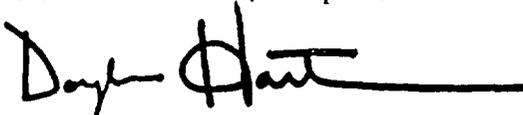
Doyle Hartman and James A. Davidson have considerable concern about Meridian's failure to give prior notice of its requested 160-acre unorthodox gas well location for its Rhodes "B" No. 7; especially considering that Texaco has simultaneously filed a force pooling application against Hartman and Davidson to drill a Rhodes gas well at a location consisting of 660' FSL and 660' FWL of Section 23, which location is only a short diagonal distance from Meridian's unorthodox gas well location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E. Since it is the goal of an operator to maximize the recovery of underlying oil and gas reserves, we obviously are opposed to Meridian's unorthodox Rhodes "B" No. 7 gas well location relative to Texaco's proposed Rhodes "23" Federal Com. No. 1 location consisting of 660' FSL and 660' FWL of Section 23. In addition, in light of Texaco's desire to drill its proposed well at a Rhodes gas location consisting of 660' FSL and 660' FWL of Section 23, and based upon Meridian's February 20, 1996 letter, we believe that Texaco had a duty to take necessary prior precautions to assure that Meridian did not attempt to drill a gas well that conflicted with a location for which Texaco had pending plans to bring a compulsory pooling action against Hartman and Davidson.

Moreover, under NMOCD rule 104 (F)(3), Meridian had an obligation, when contemplating an unorthodox gas well location for its Rhodes "B" No. 7, to give notice of its application to owners of diagonal and adjacent Rhodes gas spacing units and acreage. One of the two adjacent 160-acre Rhodes gas pool tracts to Meridian's Rhodes "B" No. 7 well is the SW/4 Section 23, and Doyle Hartman and James A. Davidson are two of the owners of record of the adjoining 160-acre tract consisting of the SW/4 Section 23. Because we were provided no prior notice of Meridian's proposed unorthodox Rhodes gas location, coupled with the fact that Texaco has simultaneously filed an application to compulsory pool Hartman and Davidson corresponding to a location situated only a short diagonal distance from Meridian's unorthodox Rhodes gas well location consisting of 330' FNL and 1470' FWL of Section 27, T-26-S, R-37-E, we cannot at this time agree to Meridian's requested unorthodox Rhodes gas well location. In addition, since the matter of Meridian's Rhodes "B" No. 7 is highly interrelated to Texaco's and Hartman's pending applications corresponding to Rhodes gas pool development in the SW/4 Section 23, we respectfully request that all three cases be jointly consolidated.

Finally, if Meridian's letter of February 20, 1996 is implying that the Rhodes "B" No. 7 well may be completed as an oil well, any gas-oil-ratio derived from the well, that is significantly in excess of 1000-to-1, will represent a substantial quantity of gas being produced from free gas zones, which zones Texaco is proposing to compulsory pool as to its proposed Rhodes "23" Federal Com. No. 1 Rhodes gas well. Therefore, under such circumstances, Meridian's Rhodes "B" No. 7 location, which is situated in Section 26 just 330' FNL of Section 26, most certainly would have a negative impact upon a Rhodes gas well to be drilled 660' north of the south line of the Section 23.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

DH/cb  
Enclosures

cc: Mr. Michael J. Stogner  
Chief Hearing Officer  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

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

Mr. Daniel S. Nutter  
105 E. Alciante  
Santa Fe, New Mexico 87505

Leslyn Swierc, CPL  
Meridian Oil Inc.  
P.O. Box 15810  
Midland, Texas 79710

Gallegos Law Firm  
460 St. Michaels Drive  
Bldg. 300  
Santa Fe, New Mexico 87505  
Attn: J.E. Gallegos  
Michael J. Condon

William F. Carr  
Campbell, Carr & Berge, P.A.  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208

# 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

MICHAEL J. CONDON

February 27, 1996

**HAND-DELIVERED**

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

Re: Administrative Application of Meridian Oil Inc. for Administrative Approval of  
an Unorthodox Well Locations for its Rhodes B Federal Well No. 4 and No. 7  
Lea County, New Mexico

Dear Mr. LeMay:

This office represents Doyle and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator and James A. Davidson. Mr. Hartman has previously written you objecting to Meridian's improper and proposed Administrative Application for an unorthodox Rhodes gas well location by his letter dated January 24, 1996. Mr. Hartman has written a subsequent letter dated February 26, 1996, confirming the objection and responding to Meridian's letter of February 20, 1996. Texaco, by letters dated February 2 and 26, 1996, has already notified the OCD of its objection to Meridian's proposed application.

As the correspondence already demonstrates, the matters raised by Meridian's Application and the objection of Hartman and Texaco are sufficiently complex as to require that the OCD set this matter for hearing rather than consider the application administratively. At present, based upon documentation Meridian has provided, it is unclear whether the Rhodes B Federal No. 7 is an oil well or a gas well. If Meridian has a gas well, the location for the well is clearly unorthodox and effects Hartman's and Texaco's acreage and development in Section 23, T-26-S, R-37-E. If the well is an oil well, additional concerns are raised. In any event, the same zone at issue in Meridian's application is already dedicated to the Rhodes "B" Federal No. 1 oil well. We join in Texaco's objection to Meridian's attempt to circumvent OCD rules and regulations based on any private agreement, especially where Texaco, the other party to the agreement, disputes Meridian's characterization.

The OCD presently has before it applications from both Texaco and Hartman seeking force pooling as to the SW/4 of Section 23, T-26-S, R-37-E, Lea County, New

William J. LeMay  
February 27, 1996  
Page 2

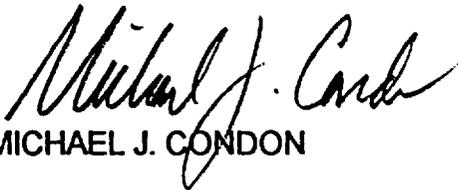
Mexico, Cases Nos. 11475 and 11476. Meridian's proposed Rhodes B Federal No. 7 well is located in Section 26 just 330' south of the north line. The location of this well will necessarily affect development in Section 23.

Please be advised that Hartman and Davidson oppose consideration of Meridian's Application administratively or without hearing. Please accept this letter as a request that Meridian's Administrative Application be set for hearing and consolidated with Cases No. 11475 and 11476, which are currently set for hearing on March 21, 1996. I would also appreciate it if you would provide this office with copies of any and all correspondence regarding the Meridian Application.

If you need any additional information, please feel free to contact me.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By   
MICHAEL J. CONDON

MJC:sa

cc: Doyle Hartman  
Carolyn Sebastian  
William F. Carr (via telecopy)  
Tom Kellahin (via telecopy)  
Leslyn M. Swierc  
James A. Davidson  
ioc: J.E. Gallegos

# 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

MICHAEL J. CONDON

February 28, 1996

## **HAND-DELIVERED**

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

Re: Administrative Application of Meridian Oil Inc. for Administrative Approval of an Unorthodox Well Locations for its Rhodes B Federal Well No. 4 and No. 7 Lea County, New Mexico

Dear Mr. LeMay:

I am writing to follow-up my letter of yesterday to raise additional issues which have recently come to light concerning Meridian's above-referenced application. We believe that the facts of this case require setting Meridian's application for public hearing.

Meridian's application was originally filed with the OCD on December 21, 1995. A copy of the original C-102 filed with the application pertaining to the proposed Rhodes "B" Federal No. 7 well is attached as Exhibit A. As you can see, Meridian initially sought application for an unorthodox location for this well as a Rhodes Gas Pool well on 160-acre spacing. One solution to this situation would be to treat the Meridian well as if it were in the Rhodes Gas Pool (if it is a gas well) subject to that pool's specifications and requirements.

Meridian failed to provide notice by certified mail pursuant to Rule 104.F(4) to Doyle Hartman and James A. Davidson. When Hartman learned of the Meridian well, he wrote Meridian by letter dated January 24, 1996, a copy of which was sent to you. Meridian responded by letter dated January 29, 1996, recognizing that it "failed to notify your company as an offset operator." A copy of the January 29, 1996 letter from Donna J. Williams to Doyle Hartman Oil Operator is also enclosed as Exhibit B. Meridian has yet to provide Hartman with notice of the application for an unorthodox location by certified mail advising Hartman that any objection must be filed in writing within twenty days from the day notice was sent as required by Rule 104 of the OCD rules. Hartman did, nonetheless, file an objection to Meridian's application by letter dated to the OCD January 24, 1996.

We learned yesterday for the first time that Meridian's drilling application has already been amended. A copy of the amended application for form C-102 is attached as

William J. LeMay  
February 28, 1996  
Page 2

Exhibit C. The amended form, which is not designated as an amended form, crosses out the words "gas pool" on pool name and substitutes Rhodes Yates Seven Rivers Pool. The amended form also reflects that the well is to be drilled on 40-acre spacing rather than 160-acre spacing as originally intended. We did not receive notice of this amendment from Meridian. Instead, we found it during a review of NMOCD's Hobbs office records.

As Mr. Hartman has indicated in his letter of February 27, 1996, there is an indication that the Rhodes "B" Federal No. 7 well is already producing even though it was approved for drilling only, and was not to produce until the Non-Standard Location is approved. To our knowledge, such approval is not yet forthcoming, and it is our position that such approval or disapproval should await the outcome of a public hearing.

Finally, it should be noted that although Meridian sought to proceed under administrative application rules based upon alleged topographical concerns, the limited documentation supplied by Meridian indicates that the unorthodox location selected is actually closer to an existing pipeline than an orthodox location on the same proration unit precisely because of the proposed unorthodox location.

Again, we request that this matter be set for public hearing, that Meridian be required to comply with applicable notice rules, that we be provided in the future by Meridian with any and all amendments to its application, and that Meridian be required to comply with all applicable rules and regulations concerning the placement and operation of their well. Thank you for your time and attention.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By   
MICHAEL J. CONDON

MJC:sa

Enclosures

cc: Doyle Hartman  
Carolyn Sebastian  
William F. Carr (via telecopy)  
Tom Kellahin (via telecopy)  
Leslyn M. Swierc  
James A. Davidson  
ioc: J.E. Gallegos

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

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



# MERIDIAN OIL

January 29, 1996

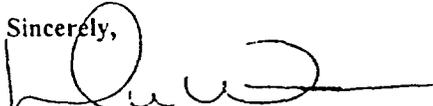
Doyle Hartman Oil Operators  
500 N. Main  
Midland, Texas 79701

RE: Request for a Non- Standard Location  
Rhodes B Federal Well No. 7  
330' FNL & 1470' FWL  
Sec. 26, T26S, R37E  
Lea County, New Mexico

Ladies & Gentlemen:

In reviewing my requests, I realized that I failed to notify your company as an offset operator. Please find attached a copy of the request that was filed with the Oil Conservation Division in Santa Fe, New Mexico. I apologize for the oversight in this matter. Should you have any questions, or need additional information, please do not hesitate to contact me at 915-688-6943.

Sincerely,

  
Donna J. Williams  
Regulatory Compliance

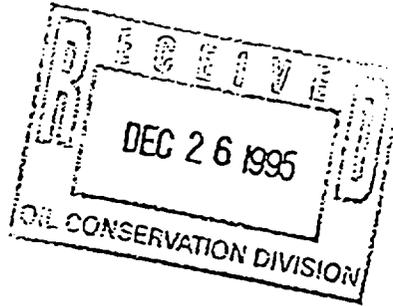
RECEIVED  
JAN 31 1996

**EXHIBIT "F"**

P.O. Box 51810, Midland, Texas 79710-1810. Telephone 915-688-6800  
3300 N. "A" St., Bldg 6, 79705-5406

# MERIDIAN OIL

December 21, 1995



Mr. Michael Stogner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

RE: Request for two (2) Non-Standard Locations  
Rhodes 'B' Federal Well No. 4  
2418' FSL & 553' FEL  
Sec. 27, T26S, R37E  
  
Rhodes 'B' Federal Well No. 7  
330' FNL & 1470' FWL  
Sec. 26, T26S, R37E  
  
Lea County, New Mexico  
Federal Lease No: LC 030174-B

Mr. Stogner:

Meridian Oil Inc. respectfully request approval for two non-standard locations on the proposed above referenced new drill locations. This is pursuant to the request by the District Office in Hobbs. These were intended to be standard locations, but upon the staking, it was discovered to have topographic problems due to powerlines, pipelines, etc.

Should you have any questions, or need additional information, please do not hesitate to contact me at 915-688-6943.

Sincerely,

Donna J. Williams  
Regulatory Compliance

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised February 21, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code 83810	* Pool Name Rhodes Gas Pool
* Property Code 17608	* Property Name RHODES "B" FEDERAL		* Well Number 7
* OGRID No. 26485	* Operator Name MERIDIAN OIL INC.		* Elevation 2994

<sup>10</sup> Surface Location

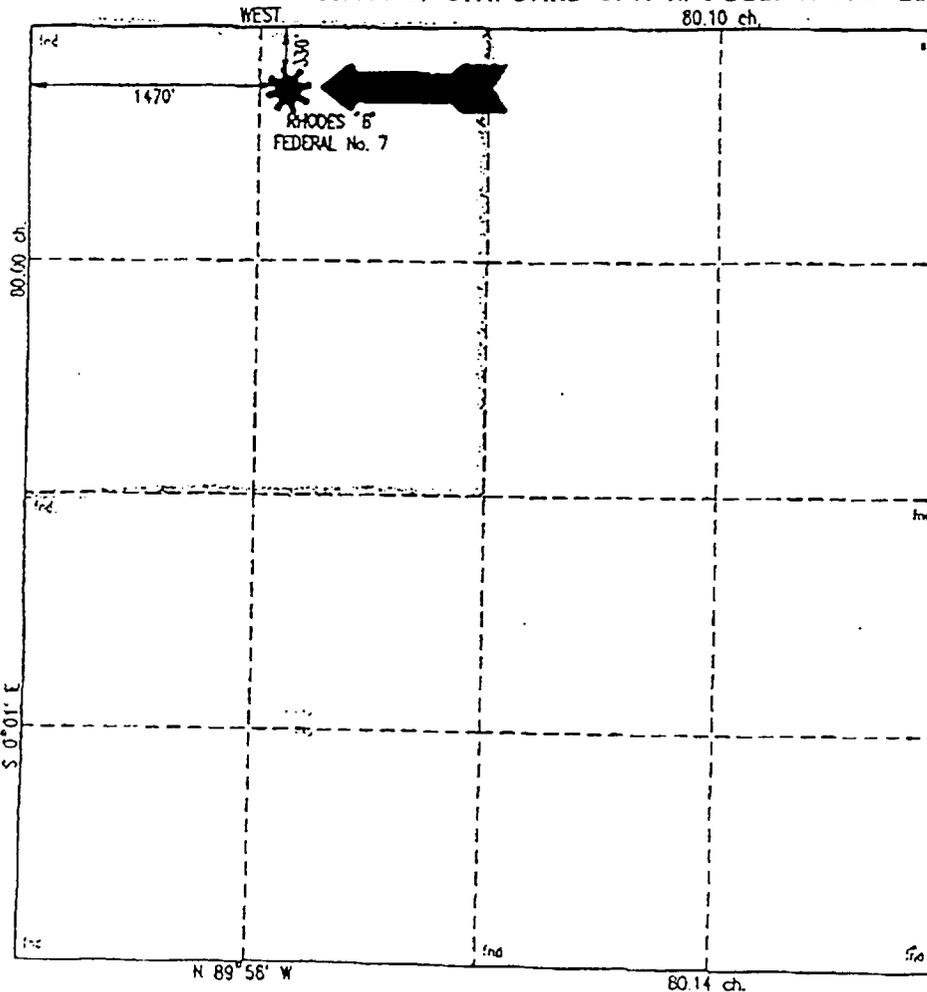
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



<sup>17</sup> OPERATOR CERTIFICATION

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

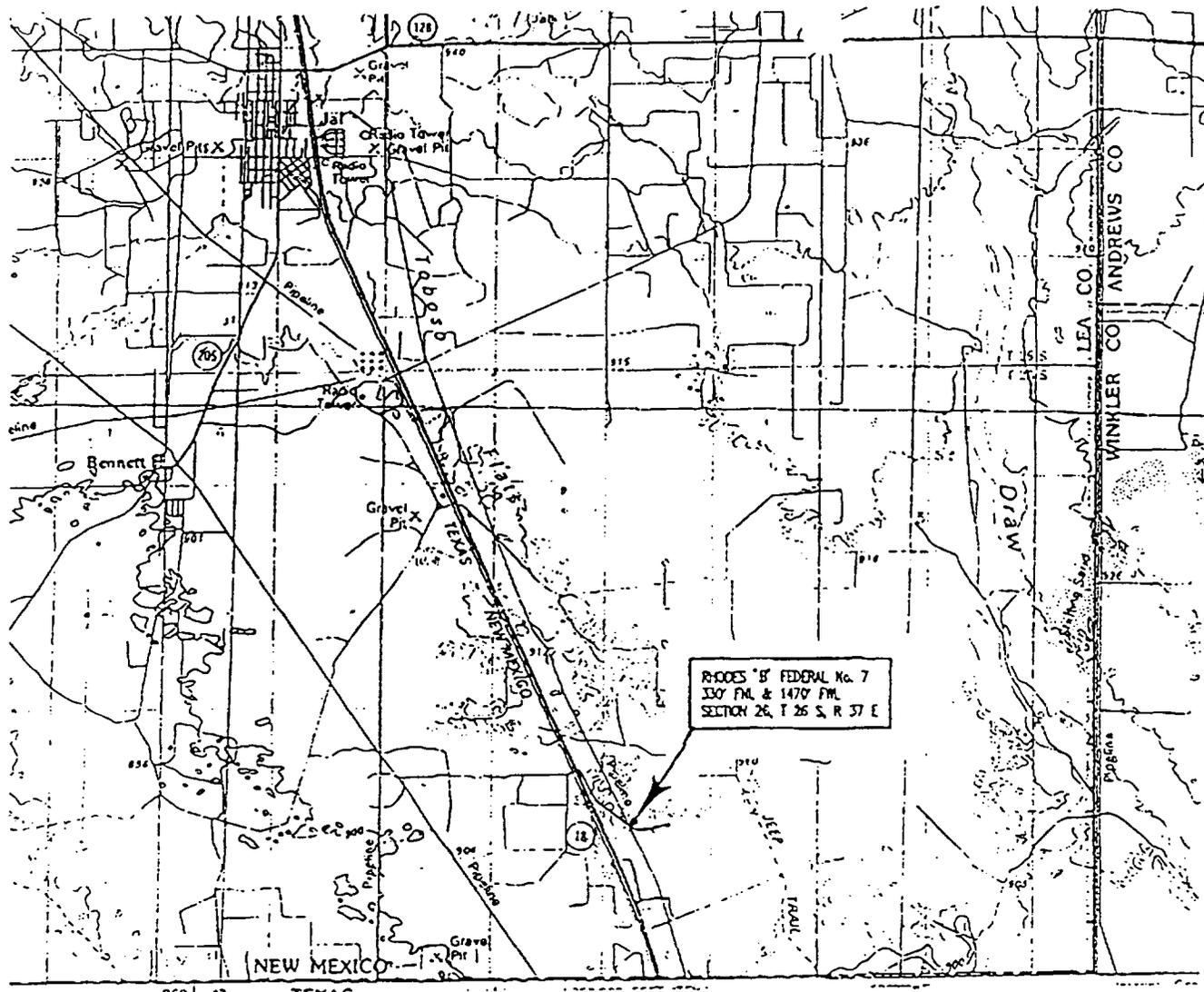
*Donna Williams*  
 Signature  
 Donna Williams  
 Printed Name  
 Regulatory Compliance  
 Title  
 10/23/95  
 Date

<sup>18</sup> SURVEYOR CERTIFICATION

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 belief.

OCTOBER 18, 1995  
 Date of Survey  
 Signature and Seal of Professional Surveyor  
  
 WILLIAM E. MAHNKE  
 Certificate Number 25465

NOTE - REVISED 10-19-95:  
 MOVED LOCATION



DIRECTIONS:

FROM THE INTERSECTION OF NEW MEXICO HIGHWAY 18 AND NEW MEXICO HIGHWAY 128 IN JAL, NEW MEXICO, GO SOUTH ON N.M. HWY 18 FOR 6.9 MILES, THEN TURN LEFT ON TO AN EXISTING LEASE ROAD AND GO 0.7 MILES TO LOCATION.

- PAVED HIGHWAY
- - - - - EXISTING LEASE ROAD

NOTE - REVISED 10-20-95  
MOVED LOCATION



Laughtin-Simmons of Texas

MIDLAND DISTRICT OFFICE  
(915) 699-1238  
In State TOLL FREE  
1-800-242-3028

P.O. BOX 1757  
MIDLAND, TEXAS 79702

MERIDIAN OIL INC.  
RHODES "B" FEDERAL No. 7

ROAD MAP AND DIRECTIONS

-LEA COUNTY, NEW MEXICO

date: OCTOBER 15, 1995 scale:



**CAMPBELL, CARR & BERGE, P.A.**  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE

MICHAEL H. FELDEWERT  
TANNIS L. FOX  
TANYA M. TRUJILLO  
PAUL R. OWEN

JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 2, 1996

**HAND DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: **Application of Meridian Oil Inc. for Unorthodox Well Locations  
Lea County, New Mexico**

Dear Mr. LeMay:

By letter dated January 29, 1996, Meridian Oil Inc. notified Texaco Exploration and Production Inc. of its application to the Oil Conservation Division for unorthodox well locations for each of the following wells:

Rhodes B Federal Well No. 4  
2418' FSL & 553' FEL  
Section 27, Township 26 South, Range 37 East  
Lea County, New Mexico

Rhodes B Federal Well No. 7  
330' FNL & 1470' FWL  
Section 26, Township 26 South, Range 37 East  
Lea County, New Mexico

**EXHIBIT "G"**

William J. LeMay, Director  
February 2, 1996  
Page 2

Texaco Exploration and Production Inc., offset operator to each of these unorthodox well locations, hereby objects to each location and requests that each location be set for hearing before a Division Examiner on March 21, 1996.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large initial "W" and a long horizontal stroke at the end.

William F. Carr  
Attorney for  
Texaco Exploration and Production Inc.

WFC/kc

cc: Ronald W. Lanning  
Michael J. Condon, Esq.  
W. Thomas Kellahin, Esq.

CAMPBELL, CARR & BERGE, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MICHAEL H. FELDEWERT  
TANNIS L. FOX  
TANYA M. TRUJILLO  
PAUL R. OWEN  
JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 26, 1996

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco  
Santa Fe, New Mexico 87503

RECEIVED  
96 FEB 26 PM 4 57  
CALLEGOS LAM FIRM P.O.

Re: Applications of Meridian Oil Inc. for Administrative Approval of Unorthodox  
Well Locations for its Rhodes B Federal Wells 4 and 7

Dear Mr. LeMay:

This is the response of Texaco Exploration and Production Inc. ("Texaco") to the letter of Leslyn M. Swierc, Senior Landman of Meridian Oil Inc. dated February 20, 1996 concerning the above-referenced applications.

As stated by Ms. Swierc, Meridian filed applications for administrative approval of unorthodox well locations for its Rhodes B Federal Wells No. 4 and 7 on December 21, 1995. A copy of Meridian's applications are enclosed for your easy reference. As you can see, these applications fail to meet the requirements of the Oil Conservation Division Rule 104 which was in effect on that date and accordingly cannot be approved by the Division.

On January 29, 1996, Ms. Donna J. Williams wrote Texaco stating Meridian had failed to notify Texaco, an offset operator, of these unorthodox locations. At Texaco's request, I objected to these locations by letter filed at the Division Santa Fe office on February 2, 1996 and requested these applications for unorthodox well locations be set for hearing on March 21, 1996. Copies of Ms. Williams letter to Texaco and Texaco's objection to these locations are enclosed herewith.

MJC  
SEB

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
February 26, 1996  
Page 2

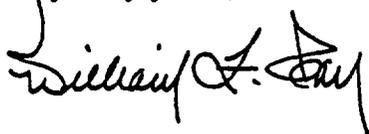
Ms. Swierc responded for Meridian to our objections, and apparently an objection to these locations from Doyle Hartman Oil Operator, by writing the Division on February 20, 1996, providing her interpretation of the Rhodes Unit Agreement and a March 13, 1944 Side Agreement between the predecessors in interest of the current parties to this dispute. She also argued other selected facts concerning the history of the development of this area.

Texaco does not agree with Ms. Swierc's interpretation of these documents nor with her interpretation of the other facts set forth in her letter of February 20, 1996. Furthermore, Texaco objects to the ex parte manner in which Meridian has elected to pursue this matter with the Division. What Meridian requests is that the Division deny Texaco (and Hartman) a hearing on these unorthodox locations. They also apparently contend that private agreements override the duties of the Oil Conservation Division as set forth in the Oil and Gas Act. Both positions are legally incorrect.

Texaco Exploration and Production Inc. hereby renews its objection to the unorthodox well locations of the Meridian Oil Inc. Rhodes B Federal Wells No. 4 and 7 and request that these location requests be set for hearing before a Division Examiner on March 21, 1996. To deny this request would violate Texaco's due process rights and furthermore would make a mockery of the Oil Conservation Division's duty to protect correlative rights.

By copy of this letter, Texaco Exploration and Production Inc. is requesting that Meridian Oil Inc. make Ms. Williams and Ms. Swierc available from Meridian to testify and be cross-examined at the March 21, 1996 Examiner hearing. A response to this request is requested by March 1, 1996.

Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR TEXACO EXPLORATION AND PRODUCTION INC.  
WFC:mlh  
Enclosures

cc: W. Thomas Kellahin. Esq. (Via Hand-Delivery)  
Kellahin & Kellahin  
117 North Guadalupe Street  
Santa Fe, New Mexico 87501

Mr. Ronald W. Lanning  
Texaco Exploration and Production Inc.  
Post Office Box 3109  
Midland, TX 79702

Doyle Hartman Oil Operator  
3811 Turtle Creek Blvd., Suite 730  
Dallas, TX 75219

✓ Michael Condon. Esq. (Via Hand-Delivery)  
Gallegos Law Firm  
460 St. Michael's Drive  
Building 300  
Santa Fe, New Mexico 87501

(December 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT NM OIL CONS. COMMISSION P.O. BOX 1980 HOBBS, NEW MEXICO 88240

SUBMIT IN THIS MANNER (Other Instructions)

Form approved Budget Bureau No. 1004-0136 Expires: December 31, 1991

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL [X] DEEPEN [ ]

b. TYPE OF WELL OIL WELL [ ] GAS WELL [X] OTHER [ ] SINGLE ZONE [ ] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR Meridian Oil Inc.

3. ADDRESS AND TELEPHONE NO. P.O. Box 51810 Midland, Texas 79710-1810 915-688-6943

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 330' FNL & 1470' FWL At proposed prod. zone Unit C

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\* 6.8 miles south of Jal, New Mexico

16. NO. OF ACRES IN LEASE 330'

18. DISTANCE FROM PROPOSED LOCATION\* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. Unk.

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 2994'

5. LEASE DESIGNATION AND SERIAL NO. LC 030174-B 6. IF INDIAN, ALLOTTEE OR TRIBE NAME 7. UNIT AGREEMENT NAME 8. FARM OR LEASE NAME WELL NO. Rhodes '8' Federal # 7 9. AN WELL NO. 10. FIELD AND POOL OR WILDCAT Rhodes Gas Pool 4-SR 11. SEC., T., R., W., OR BLK. AND SURVEY OR AREA S26, T26S, R37E 12. COUNTY OR PARISH Lea 13. STATE NM

22. APPROX. DATE WORK WILL START\* Upon Approval

Table with 5 columns: SIZE OF HOLE, GRADE SIZE OF CASING, WEIGHT PER FOOT, SETTING DEPTH, QUANTITY OF CEMENT. Rows include 12 1/4" hole with 8 5/8" casing and 7 7/8" hole with 4 1/2" casing.

Not in Potash Area Not in Prairie Chicken Area Hydrogen Sulfide Plan is attached Notice of Staking submitted on October 6, 1995 Contact Person: Donna Williams, 915-688-6943

Approval for drilling only -- CANNOT produce until Non-Standard Location is approved.

OPER. OGRID NO. 26485 PROPERTY NO. 17608 POOL CODE 52250 EFF. DATE 1/16/96 API NO. 30-025-33249

RECEIVED OCT 26 10 37 AM '95

15. ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED [Signature] TITLE Regulatory Compliance DATE 10/23/95

(This space for Federal or State office use) PERMIT NO. APPROVAL DATE APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to production. CONDITIONS OF APPROVAL, IF ANY: EXHIBIT "B"

APPROVED BY /s/ Yolanda Vega TITLE ASSISTANT AREA MANAGER DATE NOV 30 1995

\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

PO Box 1780, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Revised February 21, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number <b>30-025-33249</b>		* Pool Code <b>83810 52250</b>	* Pool Name <b>Rhodes Gas Pool Y-SR</b>
* Property Code <b>17608</b>	* Property Name <b>RHODES "B" FEDERAL</b>		* Well Number <b>7</b>
* OGRID No. <b>26485</b>	* Operator Name <b>MERIDIAN OIL INC.</b>		* Elevation <b>2994</b>

10 Surface Location

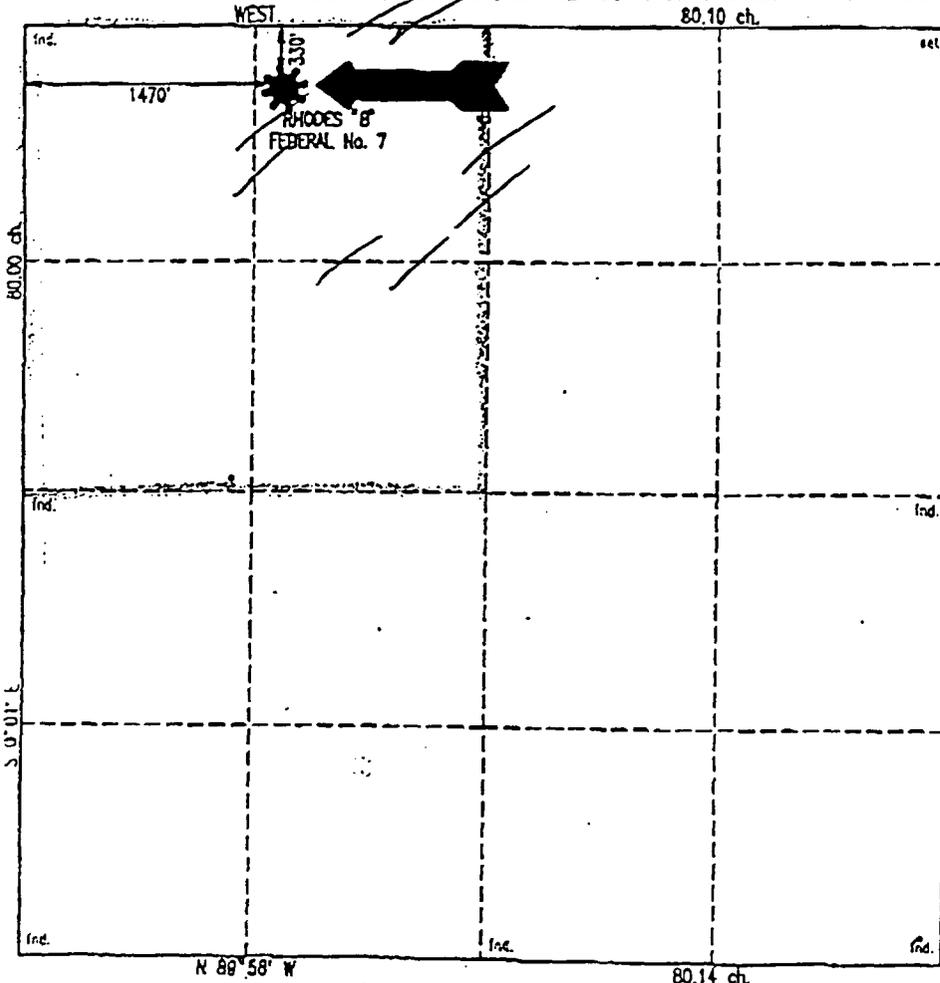
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

* Dedicated Acres <b>160 1/2</b>	* Joint or Infill	* Consolidation Code	* Order No.
-------------------------------------	-------------------	----------------------	-------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

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

*Donna Williams*  
 Signature

Donna Williams  
 Printed Name

Regulatory Compliance  
 Title

10/23/95  
 Date

18 SURVEYOR CERTIFICATION

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 belief.

OCTOBER 18, 1995  
 Date of Survey

*William E. Mahanke*  
 Signature and Seal of Professional Land Surveyor

WILLIAM E. MAHANKE  
 NEW MEXICO  
 26485  
 DISTRICT II  
 PROFESSIONAL LAND SURVEYOR

Certificate Number 26485

NOTE - REVISED 10-19-95:  
 MOVED LOCATION

To ..... Michael I. Stogner.....



**From**

Donna

2/1/96

**Energy & Minerals Department**

OIL CONSERVATION DIVISION

P O Box 1980

Hobbs NM 88241

**Telephone Number** (505) 393-6161

- |   |   |
|---|---|
| <input type="checkbox"/> For Your Files                 | <input type="checkbox"/> Prepare a Reply for My Signature |
| <input type="checkbox"/> For Your Review and Return     | <input type="checkbox"/> For Your Information             |
| <input type="checkbox"/> For Your Handling              | <input type="checkbox"/> For Your Approval                |
| <input checked="" type="checkbox"/> As Per Your Request | <input type="checkbox"/> For Your Signature               |
| <input type="checkbox"/> Please Advise                  | <input type="checkbox"/> For Your Attention               |

5 pages

EXHIBIT "I"

**U.S. OIL CONS. COMMISSION**  
**P.O. BOX 191**  
**HOBBS, NEW MEXICO 88240**  
**DEPARTMENT OF THE INTERIOR**  
**BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPLICATE  
(Other instructions on reverse side)

Form approved  
Budget Bureau No. 1004-0156  
Expires December 31, 1991

**APPLICATION FOR PERMIT TO DRILL OR DEEPEN**

5. LEASE DESIGNATION AND SERIAL NO.  
LC 030174- B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT ASSIGNMENT NAME

8. FARM OR LEASE NAME, WELL NO.  
Rhodes 'B' Federal # 4

9. APWELLING

10. FIELD AND POOL, OR WILDCAT  
Rhodes Gas Pool Y-SR

11. SEC., R. E. M., OR NEAR AND SURVEY OR AREA

12. COUNTY OR PARISH 13. STATE  
Lea NM

1A. TYPE OF WORK  
DRILL  DEEPEN

B. TYPE OF WELL  
OIL WELL  GAS WELL  OTHER   
SINGLE ZONE  MULTIPLE ZONE

2. NAME OF OPERATOR  
Meridian Oil Inc.

3. ADDRESS AND TELEPHONE NO.  
P.O. Box 51810 Midland, Texas 79710-1810 915-688-6943

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)  
At surface 2418' FSL & 553' FEL  
At proposed prod. zone *Unit I*

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE  
6.8 miles south of Jal, New Mexico

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)  
853'

16. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.  
Unk.

18. ELEVATIONS (Show whether DP, RT, GR, etc.)  
2980'

17. NO. OF ACRES IN LEASE 19. NO. OF ACRES ASSIGNED TO THIS WELL  
160

20. ROTARY OR CABLE TOOLS  
Rotary

21. APPROX. DATE WORK WILL START  
Upon Approval

22. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	28#	550'	300 EXS <b>CIRCULATE</b>
7 7/8"	4 1/2"	11.6#	3150'	650 EXS <b>(TIE BACK)</b>

Not in Potash Area  
 Not in Prairie Chicken Area  
 Hydrogen Sulfide Plan is attached  
 Notice of Staking submitted on October 6, 1995  
 Contact Person: Donna Williams, 915-688-6943

Approval for drilling only -- CANNOT produce until Non-Standard Location is approved.

OPER. OGRID NO. 26485  
 PROPERTY NO. 17608  
 POOL CODE 52250  
 EFF. DATE 1/16/96  
 API NO. 30-025-33248

RECEIVED  
 OCT 26 10 39 AM '95  
 CARLSBAD RESOURCE  
 AREA HEADQUARTERS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zones and proposed new productive zones. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

23. [Signature] TITLE Regulatory Compliance DATE 10/23/95

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Approval approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY: **APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED**

APPROVED BY /s/ Yolanda Vega TITLE ASSISTANT AREA MANAGER DATE NOV 30 1995

\*See Instructions On Reverse Side

District I  
100 Box 1987, Hobbs, NM 88241-1987  
District II  
100 Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
100 Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 21, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 AIT Number <b>30-D25-33248</b>		2 Well Code <b>63810-52250</b>		3 Well Name <b>Rhodes Gas Pool-Y-SR</b>	
4 Property Code <b>17608</b>		5 Property Name <b>RHODES "B" FEDERAL</b>			6 Well Number <b>4</b>
7 OGRIN No. <b>26485</b>		8 Operator Name <b>MERIDIAN OIL, INC.</b>			9 Elevation <b>2980</b>

10 Surface Location

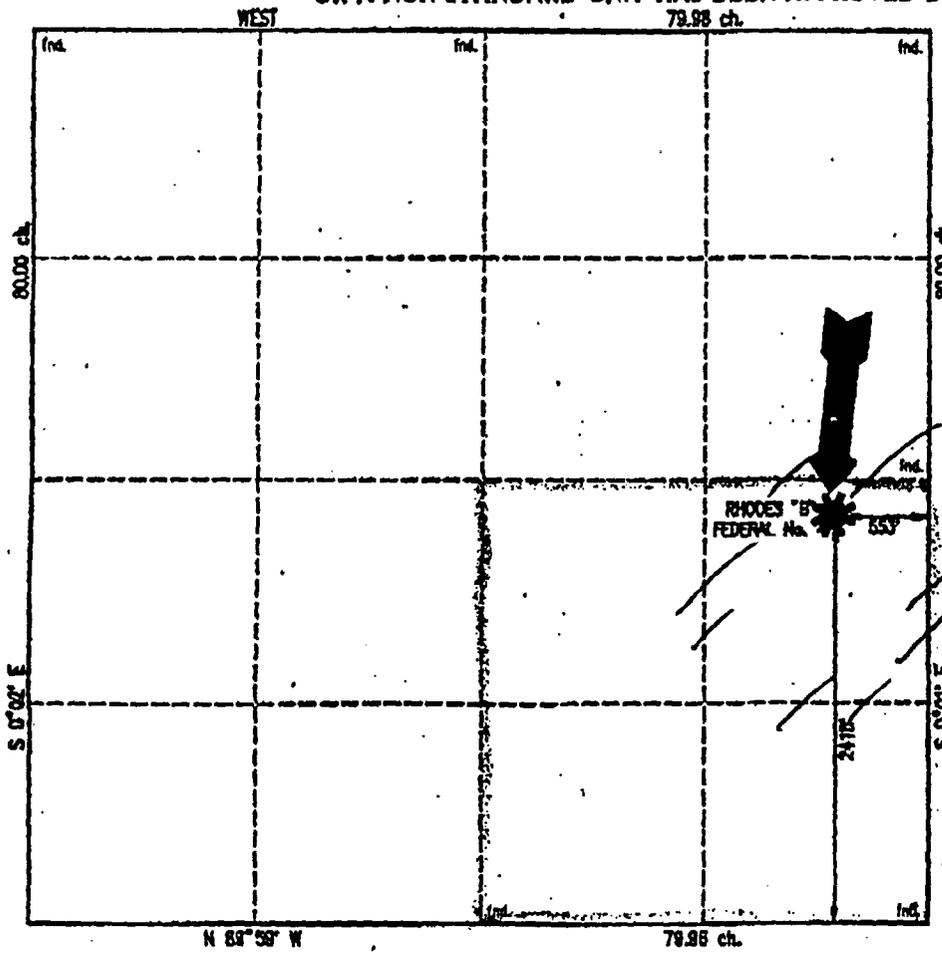
UL or Int no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>I</b>	<b>27</b>	<b>26 S</b>	<b>37 E</b>		<b>2418</b>	<b>SOUTH</b>	<b>553</b>	<b>EAST</b>	<b>LEA</b>

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedications Acres <b>160.40</b>	13 Joint or Intnl	14 Consolidation Code	15 Order No.
---------------------------------------	-------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



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

*Donna Williams*  
Signature  
**Donna Williams**  
Printed Name  
**Regulatory Compliance**  
Title  
**10/23/95**  
Date

**18 SURVEYOR CERTIFICATION**  
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 belief.

**OCTOBER 18, 1995**  
Date of Survey  
Signature and Seal of **WILLIAM E. MAHRKE II**  
Professional Surveyor  
**8466**  
Certificate Number

NOTE - REVISED 10-18-96  
WELL LOCATION

Form 3160-3  
(December 1990)

SUBMIT IN THE STATE  
(Other Instructions on Reverse Side)

Form approved,  
Budget Bureau No. 1004-0136  
Expires: December 31, 1991

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
NEW MEXICO CONS. COMMISSION  
P.O. BOX 1980  
HOBBS, NEW MEXICO 88240

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

6. LEASE DESIGNATION AND SERIAL NO.  
LC 030174-8

7. IF INDIAN, ALLOTTEE OR TRIBE NAME

8. UNIT AGREEMENT NAME

9. FEDERAL LEASE NAME WELL NO.  
Rhodes 'B' Federal # 7

10. AN WELL NO.

11. FIELD AND POOL OR WILDCAT  
Rhodes Gas Pool 4-SR

12. SEC. T., R., N., OR BLK. AND SURVEY OR AREA  
S26, T26S, R37E

13. COUNTY OR PARISH  
Lea

14. STATE  
NM

15. NO. OF ACRES ASSIGNED TO THIS WELL  
160

16. ROTARY OR CABLE TOOL

17. APPROX. DATE WORK WILL START  
Upon Approval

1a. TYPE OF WORK  
DRILL  DEEPEN

b. TYPE OF WELL  
OIL WELL  GAS WELL  OTHER   
SINGLE BORE  MULTIPLE BORE

2. NAME OF OPERATOR  
Meridian Oil Inc.

3. ADDRESS AND TELEPHONE  
P.O. Box 51810 Midland, Texas 79710-1810 915-688-6943

4. LOCATION OF WELL (Report location clearly and in accordance with any state requirements.)  
At surface 330' FNL & 1470' FNL  
At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE  
6.8 miles south of Jal, New Mexico

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest 400 ft. unit line, if any)  
330'

16. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.  
Unk.

17. ELEVATIONS (Show whether DS, RT, OR, etc.)  
2994'

22. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	28#	660'	300 SXS CIRCULATE
7 7/8"	4 1/2"	11.5#	3150'	650 SXS TIE BACK

Not in Potash Area  
Not in Prairie Chicken Area  
Hydrogen Sulfide Plan is attached  
Notice of Staking submitted on October 6, 1995  
Contact Person: Donna Williams, 915-688-6943

Approve Efforts Drilling only - CANNOT produce until Non-Standard Location is approved.

OPER. OGRID NO. 26485  
PROPERTY NO. 17608  
POOL CODE 5225D  
EFF. DATE 1/16/96  
API NO. 30-025-33249

RECEIVED  
OCT 26 10 37 AM '95  
BUREAU OF LAND MANAGEMENT  
AREA HEADQUARTERS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zones and proposed new productive zones. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNER [Signature] TITLE Regulatory Compliance DATE 10/23/95

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to the benefits of the lease. SPECIAL REGULATIONS ATTACHED

APPROVED BY /s/ Yolanda Vega TITLE ASSISTANT AREA MANAGER DATE NOV 8 0 1995

\*See Instructions On Reverse Side

18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

District I  
PO Box 1780, Hobbs, NM 88241-1780  
District II  
PO Drawer DD, Aramis, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 21, 1994  
Instructions on Back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

APN Number <b>30-025-33249</b>		Pool Code <b>83010-52250</b>	Pool Name <b>Rhodes Gas Pool Y-SR</b>
Property Code <b>17608</b>	Property Name <b>RHODES "B" FEDERAL</b>		Well Number <b>7</b>
OCHID No. <b>26485</b>	Operator Name <b>MERIDIAN OIL INC.</b>		Elevation <b>2994</b>

**10 Surface Location**

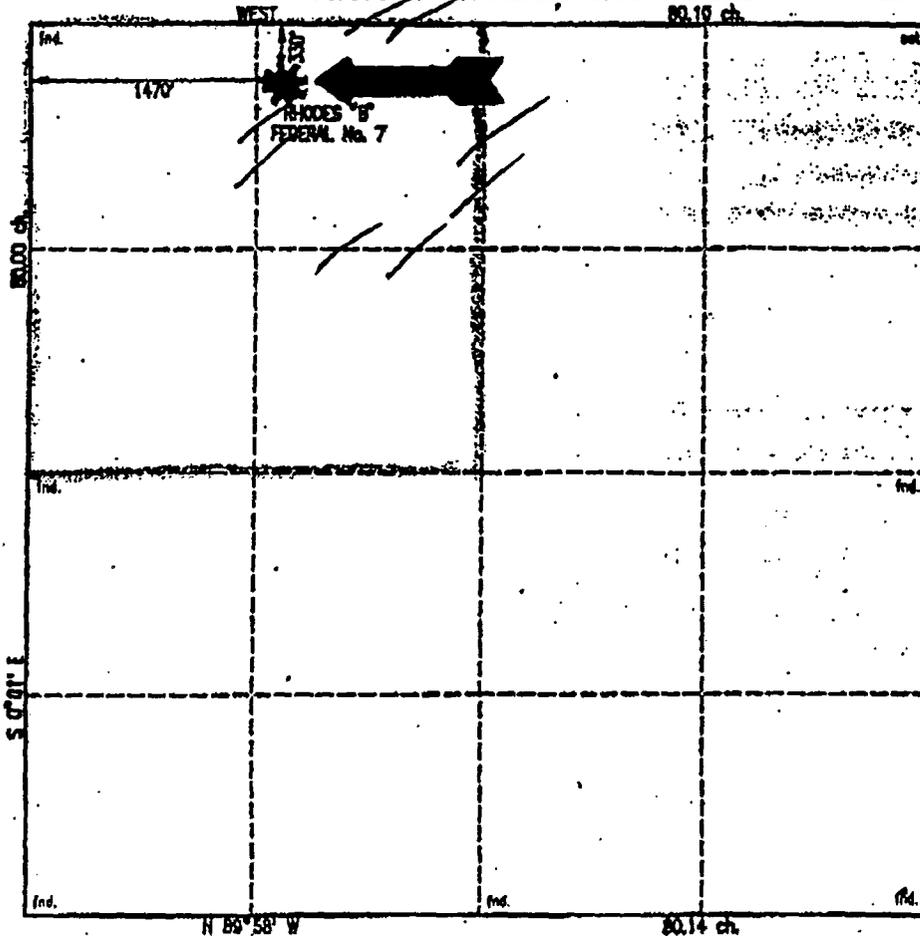
UL or Int no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

**11 Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres <b>160 1/2</b>	Joint or Infill	Consolidation Code	Order No.
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**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**



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

*[Signature]*  
Signature  
**Ronna Williams**  
Printed Name  
**Regulatory Compliance**  
Title  
**10/23/95**  
Date

**18 SURVEYOR CERTIFICATION**  
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 belief.

**OCTOBER 18, 1995**  
Date of Survey  
*[Signature]*  
Signature and Seal  
**WILLIAM E. MAHINKE**  
Professional Surveyor  
Certificate Number **8468**

NOTE - REVISED 10-10-93:  
MOVED LOCATION

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.

EXHIBIT "J"

(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.

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.

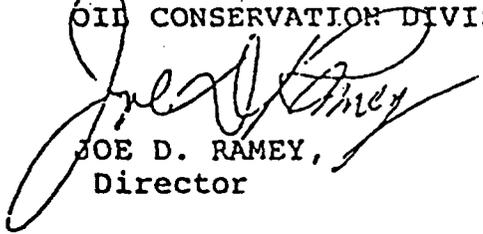
(5) That the portion of this case seeking deletion of certain lands from the Rhodes Gas Storage Unit is hereby dismissed.

(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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY,  
Director

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

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

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

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

A Yes, sir, I have.

MR. LOPEZ: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

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

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

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

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

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

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

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

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

17 A Exhibit Three refers to the State agree-  
18 ment for Section 16 that is also a part of the unit agreement

19 Q Okay.

20 MR. LOPEZ: Mr. Examiner, at this time  
21 I would request that you take administrative notice of the  
22 Federal Energy Regulatory Commission Order dated April 30th,  
23 1981, with an effective date of May 1, 1981; on the FERC  
24 docket it is referred to as Order RP-72-6, which allows El  
25 Paso Natural Gas Company to abandon its Federally certified

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

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MR. STAMETS: We'll so note.

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

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A Well, the Rhodes Storage Project was, of course, shut in until May the 1st of this year when we received the order to abandon it as a storage project, and to activate Washington Ranch as a replacement storage project, Washington Ranch is located in Eddy County, New Mexico, effective May the 1st of 1981, and we opened up the Rhodes Storage Project at capacity.

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

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

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you to explain it.

Q Exhibit Number Four also is a map of the Rhodes Pool and we're showing the three different pool limits as they presently exist, the three pools being Rhodes, Jalmat, and Scarborough. There is a substantial overlap of the horizontal limits of Jalmat and Rhodes, and there is a minor overlap of Rhodes and Scarborough.

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

So Exhibit Four is an attempt to show the problem, so to speak, that we're faced with on nomenclature.

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

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

It was our first intent in rolling back

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

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

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

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

On the east side of the map in Section 10, the northwest quarter, which is shaded in red, that would be a proposed expansion from what the existing Rhodes horizontal limits are.

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

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

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

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

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

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

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

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

Q. Okay, I was mistaken.

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

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

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

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

Page two actually gives a complete new

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

A Yes, sir.

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

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

MR. STAMETS: These exhibits will be admitted.

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

A No, sir.

MR. LOPEZ: That concludes our direct.

CROSS EXAMINATION

BY MR. STAMETS:

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

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

Q And that would be the same for both 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.

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

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

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

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

n 3160-4 / 1992

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

(See other instructions on reverse side)

FORM APPROVED OMB NO. 1004-0137

Expires: February 28, 1995

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

5. LEASE DESIGNATION AND SERIAL NO. LC 030174-B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO. LINEBERY 'B' NO. 1 FEDERAL

9. API WELL NO. 30-025-32966

10. FIELD AND POOL, OR WILDCAT RHODES GAS POOL

11. SEC., T., R., M., OR BLK AND SURVEY OR AREA 26, T26S, R37E

TYPE OF WELL: OIL WELL [ ] GAS WELL [X] DRY [ ] Other [ ]

TYPE OF COMPLETION: NEW WELL [X] WORK OVER [ ] DEEP-EN [ ] PLUG BACK [ ] DIFF. RESVR. [ ] Other [ ]

NAME OF OPERATOR: MERIDIAN OIL INC.

ADDRESS AND TELEPHONE NO.: P.O. Box 51810, Midland, TX 79710-1810 915-688-6943

LOCATION OF WELL (Report location clearly and in accordance with any State requirements):

At surface: 60' FNL & 1980' FEL At top prod. interval reported below

At total depth

14. PERMIT NO. DATE ISSUED 5/16/95 12. COUNTY OR PARISH LEA 13. STATE NM

1. DATE SPLDDED 5/24/95 16. DATE T.D. REACHED 5/28/95 17. DATE COMPL. (Ready to prod.) 6/8/95 18. ELEVATIONS (DF, RKB, RT, GR, ETC.) 2992' 19. ELEV. CASINGHEAD

2. TOTAL DEPTH, MD & TVD 3250' 21. PLUG, BACK T.D., MD & TVD 3182' 22. IF MULTIPLE COMPL., HOW MANY\* 23. INTERVALS DRILLED BY 24. ROTARY TOOLS 0-TD 25. CABLE TOOLS

4. PRODUCING INTERVAL(S), OF THIS COMPLETION - TOP, BOTTOM, NAME (MD AND TVD)\* 2917' -3121' 26. WAS DIRECTIONAL SURVEY MADE NO

16. TYPE ELECTRIC AND OTHER LOGS RUN INCLUDED 27. WAS WELL CORED NO

CASING RECORD (Report all strings set in well)

Table with 6 columns: CASING SIZE/GRADE, WEIGHT, LB./FT., DEPTH SET (MD), HOLE SIZE, TOP OF CEMENT, CEMENTING RECORD, AMOUNT PULLED. Rows include 5/8" 24# 553' 12 1/4" 375 SXS/SURF. and 1/2" 11.6# 3250' 7 7/8" 550 SXS/TOC@900'.

Table with 8 columns: SIZE, TOP (MD), BOTTOM (MD), SACKS CEMENT\*, SCREEN (MD), SIZE, DEPTH SET (MD), PACKER SET (MD). Includes data for 2 3/8" 2886'.

Table with 2 columns: 31. PERFORATION RECORD (Interval, size and number) 2917' -3121' 32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC. Includes details on material used like A W/1500 GLS 7.5% NEFE HC1.

33. PRODUCTION DATE FIRST PRODUCTION 6/8/95 PRODUCTION METHOD (Flowing, work lift, pumping - size and type of pump) FLOWING WELL STATUS (Producing or shut-in) PROD.

DATE OF TEST 6/12/95 HOURS TESTED 24 HRS. CHOKE SIZE PROD'N FOR PERIOD OIL - BBL. 0 GAS - MCF. 843 AOF WATER - BBL. 0 GAS - OIL RATIO N/A

FLOW. TUBING PRESS. 360 CASING PRESSURE 358 CALCULATED 24-HOUR RATE OIL - BBL. GAS - MCF. WATER - BBL. OIL GRAVITY - API (CORR.)

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) SOLD AS OF JUNE 23, 1995 TEST WITNESSED BY

35. LIST OF ATTACHMENTS 3160-5, INCLINATION REPORT, LOGS, C104, & C122

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED [Signature] TITLE REGULATORY COMPLIANCE DATE 6/26/95

(See Instructions and Spaces for Additional Data on Reverse Side)

EXHIBIT "L"

Form C-304  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 5 Copies

State of New Mexico  
 Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 P.O. Box 2088  
 Santa Fe, NM 87504-2088

Form C-304  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 5 Copies

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

1 Operator name and Address Meridian Oil Inc. P.O. Box 51810 Midland, TX 79710-1810		2 OGRID Number 26435
4 API Number 30-025-32966		3 Reason for Filing Code New well
5 Pool Name Rhodes Gas Pool		6 Pool Code 83810
7 Property Code 17105 Lineberry "B" Federal	8 Property Name Lineberry B Federal	9 Well Number No. 1

II. Surface Location

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
B	26	26S	37E		660'	North	1980'	East	Lea

Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County

12 Lss Code Federal	13 Producing Method Code Flowing	14 Gas Connection Date 6/26/95	15 C-129 Perm# Number	16 C-129 Effective Date	17 C-129 Expiration Date
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III. Oil and Gas Transporters

18 Transporter OGRID	19 Transporter Name and Address	20 POD	21 O/G	22 POD ULSTR Location and Description
020800	Sid Richardson Gasoline Co.	2815101	G	Sales meter @ Sec. 22, T26S, R37E

IV. Produced Water

23 POD	24 POD ULSTR Location and Description
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V. Well Completion Data

25 Spud Date 6/24/95	26 Ready Date 6/8/95	27 TD 3250'	28 PBTD 3182'	29 Perforations 2917'-3121'
30 Hole Size 12 1/4"	31 Casing & Tubing Size 8 5/8"	32 Depth Set 663'	33 Ccals Cement 375 ccs	
7 7/8"	4 1/2"	3260'	550 ccs	

VI. Well Test Data

34 Date New Oil n/a	35 Gas Delivery Date June 26, 1995	36 Test Date June 12, 1995	37 Test Length 24 hrs	38 Tbg. Pressure 360	39 Csg. Pressure 368
40 Choke Size 0	41 Oil 0	42 Water 0	43 Gas 843 AOF	44 AOF	45 Test Method

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. Signature:		OIL CONSERVATION DIVISION	
Printed name: Donna Williams		Approved by: Orig. Signed by Paul Knutz Geologist	
Title: Regulatory Assistant		Approval Date: JUN 30 1995	
Date: 6/26/95	Phone: 915-688-6943		

46 If this is a change of operator fill in the OGRID number and name of the previous operator			
Previous Operator Signature	Printed Name	Title	Date

# C - C' STRUCTURAL CROSS SECTION

COMPANY Meridian Oil, Inc.

WELL Rhodes "A" No. 4

FIELD Rhodes (Yates-Seven Rivers)

LOCATION 1658' PBL & 660' PEL (1)

Section 22, T-26-S, R-37-E

COUNTY Lee

STATE New Mexico

ELEVATIONS: KB 2996'  
 DF 2995'  
 CL 2986'

COMPANY Meridian Oil, Inc.

WELL Rhodes "B" Federal No. 7

FIELD Rhodes (Yates-Seven Rivers)

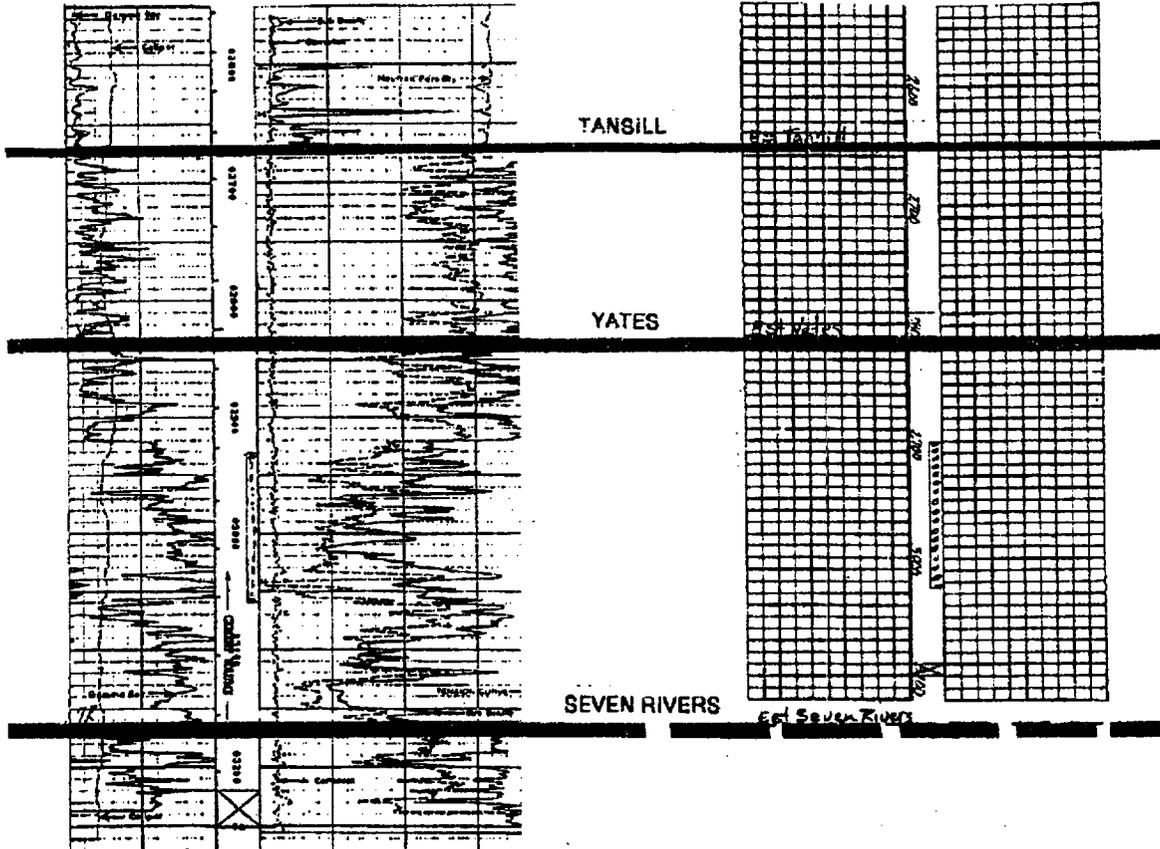
LOCATION 330' PBL & 670' PEL (C)

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

COUNTY Lee

STATE New Mexico

ELEVATIONS: KB \_\_\_\_\_  
 DF \_\_\_\_\_  
 CL 2994'



**COMPLETION RECORD**

SPUD DATE 5-19-95 COMP. DATE 6-6-95

TO 3259' PRTD 3228'

CASING RECORD 8 5/8" @ 545' w/380 sk. 28F (c/r)  
4 1/2" @ 3256' w/679 sk. (c/r)

PERFORATING RECORD 2936' - 3157'

STIMULATION A/3200  
SP/170,000

IP IPF = 10,345 MCF/D

GOR \_\_\_\_\_ OR \_\_\_\_\_

TP 721 CP 736

CHOKE \_\_\_\_\_ TUBING 2.537" @ 2911'

REMARKS Classified as a gas well in the Rhodes Gas Pool.

**COMPLETION RECORD**

SPUD DATE 1-11-96 COMP. DATE 1-24-96

TO 3100' PRTD 3090'

CASING RECORD 8 5/8" @ 562' w/350 sk. c/r.  
4 1/2" @ 3100' w/680 sk. c/r.

PERFORATING RECORD 2902' - 3025'

STIMULATION A/1500  
SP/53,000 + 145,000

IP IPF = 724 MCF/D + 2 BHPD

GOR \_\_\_\_\_ OR \_\_\_\_\_

TP 410 CP 480

CHOKE 20/64" TUBING 2" @ 2850'

REMARKS Classified as a gas well in the Rhodes Oil Pool.