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March 21, 1996

MICHAEL J. CONDON

HAND-DELIVERED

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

Case 11528

Re: Application of Doyle Hartman and Margaret Hartman dba Doyle Hartman, Oil Operator, and James A. Davidson for (i) de novo hearing, (ii) order authorizing discovery, (iii) withdrawal of Administrative Order NSL-3633, (iv) denial of Meridian application, (v) and redefinition of Rhodes Gas Pool boundary

Dear Mr. LeMay:

Thank you for your letter of March 19, 1996 setting this matter for an examiner hearing. Our preference is to be placed on the docket on May 2, 1996 in Santa Fe. We will direct discovery requests to the Division hearing examiner shortly.

With respect to your proposed caption and advertisement notice, we would recommend an amendment deleting reference to the Rhodes "B" Federal Well No. 4 in Section 27. We have not objected to that well, nor did we intend by our application to challenge the treatment afforded the Rhodes "B" Federal Well No. 4 by the Division. Our only concern with respect to Administrative Order NSL-3633 involves the Rhodes "B" Federal Well No. 7. I would suggest that the notice be amended as follows:

Application of Doyle Hartman and Margaret Hartman dba Doyle Hartman, Oil Operator, and James A. Davidson for redefinition of the Rhodes Gas Pool boundary and for withdrawal of Administrative Order NSL-3633 which granted an unorthodox well location to Meridian Oil Inc., Lea County, New Mexico. Applicant seeks redefinition of the boundary of the Rhodes Gas Pool pursuant to Division Rule 5d to include the Rhodes "B" Federal Well No. 7 of Meridian Oil Inc. located 330 feet from the North line and 1470 feet from the West line (Unit C) of Section 26, Township 26 South, Range 37 East. Applicant further seeks withdrawal of Division Administrative Order NSL-3633 which approved an unorthodox well location to Meridian Oil Inc. in the Rhodes-Yates-Seven Rivers Oil Pool, the above-described Rhodes "B" Federal Well No. 7 located 330 feet from the North line and 1470 feet from the West line (Unit C) of Section 26, located in Township 26 South, Range 37 East. Said area is located approximately 7 miles south-southeast of Jal, New Mexico.

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I would appreciate clarification regarding the procedure which will be followed at the Examiner Hearing regarding the burden of proof. Although Hartman and Davidson are the applicants who sought the de novo hearing, Meridian should shoulder the burden of proof at the hearing in its attempt to justify its request for approval of an unorthodox location for the No. 7 well. As we pointed out in our Application, Meridian still has not provided any substantive evidence supporting its requested treatment of the No. 7 well as an unorthodox location or as a gas well in an oil pool on 40-acre spacing. The Division has never made a finding on either issue. Meridian should have the burden of justifying its application. Had the Division set this matter for hearing initially, as it should have, Meridian would have the burden of proof on these issues.

I recognize that Hartman and Davidson will have the burden of supporting the application to the extent that it seeks redefinition of the Rhodes Gas Pool boundary. If the burden of proof the Division intends to employ a different burden of proof allocation at hearing, please let me know.

Thank you for your consideration and attention to this matter.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By 
MICHAEL J. CONDON

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