

# GALLEGOS LAW FIRM

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November 10, 1998  
(Our File No. 93-1.62)

MICHAEL J. CONDON

**VIA HAND-DELIVERY**

Michael Stogner  
Chief Hearing Examiner  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

1 10 1998

Re: Application of Gruy Petroleum Management Company  
in Case Nos. 12015, 12017

Dear Mr. Stogner:

Enclosed please find Hartman's proposed Order in this matter based upon the evidence and testimony provided at the September 3, 1998 hearing in this matter. I apologize for the delay in submission. If you have any questions, or need any additional information, please feel free to contact me.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By   
MICHAEL J. CONDON

MJC:sa

Enclosure

cc: Rand Carroll (w/enclosure)  
William F. Carr (w/enclosure)  
Doyle Hartman (w/enclosure)  
Linda Land (w/enclosure)  
ioc: J. E. Gallegos

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NOS. 12015 and 12017  
(Consolidated)**

**APPLICATION OF GRUY PETROLEUM  
MANAGEMENT COMPANY FOR AN  
UNORTHODOX GAS WELL LOCATIONS AND  
SIMULTANEOUS DEDICATION, LEA COUNTY,  
NEW MEXICO**

**ORDER OF THE DIVISION  
(Proposed By Doyle Hartman, Oil Operator)**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on September 3, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of \_\_\_\_\_, 1998 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in this matter, Gruy Petroleum Management Company, is currently record owner of 100% of the working interest in two 160-acre proration units in the Rhodes-Yates-Seven Rivers Gas Pool ("Rhodes Gas Pool"). The proration units which are the subject of these Applications are:

- SW/4 Section 4, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico

- NW/4 Section 16, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico

(3) At this time, Gruy seeks an exception to Division General Rule 104.(C)(2) and 104.D.(3) to allow for the simultaneous dedication of three (3) gas wells on each of the two existing 160-acre gas spacing and proration units within the Rhodes-Yates-Seven Rivers Gas Pool, comprising the SW/4, Section 4, Township 26 South, Range 37 East, and the NW/4 Section 16, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico. Gruy also seeks approval for unorthodox gas well locations for its Rhodes State Com. No. 5 well in Section 16, and its Rhodes Federal Unit No. 43 well in Section 4, Township 26 South, Range 37 East, Lea County, New Mexico.

(4) Doyle Hartman, Oil Operator, an oil and gas operator with operating interests in the Rhodes-Yates-Seven Rivers Gas Pool, Sections 10 and 15, Township 26 South, Range 37 East (“Bates lease”) appeared at the hearing and presented testimony in opposition to Gruy’s request for simultaneous dedication to allow second and third gas wells on the existing gas spacing and proration units.

(5) Armstrong Energy Corporation, an oil and gas operator, appeared at the hearing and opposed Gruy’s request for simultaneous dedication.

Based upon the evidence presented at the hearing, and the Division’s review of its own administrative records, rules and regulations, the Division makes the following evidentiary findings:

### **ADMINISTRATIVE HISTORY AND APPLICABLE RULES**

(6) The Rhodes Gas Pool was created by Order No. R-6891 entered February 1, 1982 in Case No. 7416. Prior to the creation of the Rhodes Gas Pool, the acreage in the tracts at issue was part of the Jalmat Gas Pool as defined by Order R-520, and was subject to 640-acre spacing based upon the Division’s determination that one gas well producing from the Rhodes-Yates-Seven Rivers Gas Pool was capable of draining 640 acres.

(7) The Rhodes Gas Pool is at this time considered an “unprorated gas pool” and therefore is not governed by the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Division Order No. R-8170, as amended.

(8) The spacing requirements provided in Division Statewide Rule 104.C.(2)(a) would therefore apply in this particular situation. That rule states:

“Unless otherwise provided in special pool rules, each development well for a defined gas pool. . . , shall be located on a designated drilling tract. . . consisting of 160 surface contiguous acres . . . and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than

330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

(9) At or about the time the Division created the Rhodes Gas Pool, there existed several 160-acre proration units within the pool with two gas wells producing from the acreage. In those cases, the Division granted an administrative exception to the 160-acre spacing for the pool and allowed wells currently producing as of February 1, 1982 to remain as producing wells.

(10) Rule 104.D.(3) of the Division's Rules and Regulations, which applies here, provides as follows:

Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.

(11) The Division Director issued a memorandum on July 22, 1988, setting forth the Division's interpretation and policy for those instances, such as this case, where an applicant is requesting an additional well on an existing non-prorated pool gas spacing units. The Division held as follows:

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

(12) By Memorandum dated August 3, 1990, the Division clarified its policy disfavoring simultaneous dedication in non-prorated pools. The August 3, 1990 Memorandum confirmed the general rule announced in the July 27, 1998 Memo as requiring a showing of "compelling evidence" in order to allow for simultaneous dedication in unprorated gas pools:

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

The August 3, 1990 Memorandum also provided for alternate operation of multiple wells on 160-acre proration units:

"Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling."

### **GRUY'S INFILL DRILLING PROGRAM**

(13) Gruy purchased interests in numerous leases with wells producing from the Rhodes Gas Pool in 1995 from Burlington Resources Oil and Gas Co. as part of a package of properties in the Permian Basin. Gruy identified internally a number of locations within the Rhodes Gas Pool on which it desired to drill infill gas wells.

(14) On June 18, 1998, Gruy entered into a Footage Drilling Contract with Key Energy Drilling, Inc., to drill a series of thirteen (13) wells. Several of the wells referenced on Exhibit C to the drilling contract were to be located on 160-acre proration units in the non-prorated Rhodes Gas Pool on which Gruy was currently operating at least one gas well. The drilling contract was entered twelve (12) days prior to the filing by Gruy of its applications in Division cases Nos. 12015 and 12017.

### **SW/4 of SECTION 4**

(15) As of March 1, 1998, Gruy operated Rhodes Federal Unit Well No. 41 in the SW/4 of Section 4, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico. The Rhodes Federal Unit Well No. 41 is a gas well which produces from the Rhodes Gas Pool.

(16) Among the wellbores Gruy received as part of its Permian package from Burlington was the Rhodes Federal Unit No. 43, formerly the Farnsworth 4 No. 5 well. This well was originally completed as an oil well in 1957. It was temporarily abandoned by Burlington (then Meridian Oil Inc.) in September 1993.

(17) On February 16, 1998, Gruy filed a sundry notice with the Bureau of Land Management ("BLM") announcing a plan to recompleting the Rhodes Federal Unit No. 43 well to the Yates formation, which is the Rhodes Gas Pool.

(18) Haliburton and Energy Services prepared a CO<sub>2</sub> Foam Frac Recommendation for Gruy regarding the Rhodes Federal Unit No. 4-3 well on or about March 4, 1998. Haliburton prepared the recommendation based upon well spacing of 80-acres, notwithstanding that well spacing for the pool presently is, and at the time the recommendation was made, actually 160-acres.

(19) Gruy actually performed the recompletion work on the Rhodes Federal Unit No. 43 well from March 5 to March 12, 1998. Following the recompletion work, the well was put on production and produced Rhodes-Yates-Seven Rivers gas beginning in 1998.

(20) Gruy did not file a C-102 with the Division prior to recompleting the Rhodes Federal Unit No. 43 well.

(21) While the Rhodes Federal Unit 43 well was at an orthodox location for an oil well, it is an unorthodox location for a gas well under the Division Rule 104.C.(2)(a).

(22) Gruy did not file its sundry notice confirming the recompletion work on the Rhodes Federal Unit # 43 well until July 14, 1998.

(23) On March 26, 1998, Gruy staked a location for the Rhodes Federal Unit No. 415 in the SW/4 of Section 4. The well was planned to be drilled to a depth and to be completed as an oil well.

(24) Gruy filed a C-102 form with the Division describing the well location and acreage dedication on April 7, 1998. The C-102 form did not disclose the currently operating and producing Rhodes Federal Unit Nos. 41 and 43 wells.

(25) Gruy filed its Form 3160 evidencing its intent to drill the Rhodes Federal Unit No. 415 well on April 7, 1998.

(26) Gruy began drilling the Rhodes Federal Unit 415 well on or about June 17, 1998. During the drilling, and prior to the time Gruy reached the total depth necessary to complete the well as an oil well, Gruy lost circulation during the drilling process. Rather than take action to regain circulation Gruy completed the well at a depth of approximately 3,050 feet, in the Rhodes-Yates-Seven Rivers gas formation, as the third gas well on the unit.

(27) Gruy filed its sundry notice on the drilling of the Rhodes Federal Unit No. 415 well on June 23, 1998, but did not file its Well Completion Notice until August 19, 1998.

(28) Following the drilling of the Rhodes Federal Unit No. 415 well, and at a time that the Rhodes Federal Unit Nos. 41 and 43 wells were already producing from the Rhodes Gas Pool, Gruy produced Rhodes-Yates-Seven Rivers gas from the Rhodes Federal Unit No. 415 well beginning June, 1998.

(29) Gruy failed to file sundry notice and well completion notices on the Rhodes Federal Unit Nos. 43 and 415 wells within thirty (30) days after the completion of the work on those wells.

#### **NW/4 OF SECTION 16**

(30) As of March 1, 1998, Gruy operated the Rhodes State Com Wells Nos. 18 and 19 in the NW/4 of Section 16, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico. These wells were approved for simultaneous dedication by

administrative rulings in connection with the issuance of Order R-6891 in the creation of the Rhodes Gas Pool in February, 1982.

(31) On May 7, 1998, Gruy staked an unorthodox location for its proposed Rhodes State Com 5 gas well in the NW/4 of Section 16, notwithstanding that Gruy was already producing two gas wells on that acreage.

(32) On June 2, 1998, Gruy staked a standard location for a gas well for the Rhodes State Com 5 well in Section 16. A C-102 form was filed by Gruy on June 5, 1998, and approved by the Hobbs office of the Division.

(33) The Rhodes State Com 5 well was spud June 17, 1998 at the unorthodox location. The well was completed by Gruy at the unorthodox location in June, 1998.

(34) During the drilling of the Rhodes State Com 5 well, a Gruy representative contacted Michael Stogner, hearing examiner for the Division, who advised Gruy that Gruy was proceeding at its own risk if it chose to complete the well at an unorthodox location.

(35) Following completion of the Rhodes State Com 5 well, Gruy began producing that well, notwithstanding that Gruy was already producing the Rhodes State Com 18 and 19 gas wells on the 160-acre proration unit comprising the NW/4 of Section 16. The Rhodes State Com 5 gas well was produced beginning in June, 1998.

### **SECTIONS 10 AND 15**

(36) On April 7, 1998, Gruy filed a C-102 form for its contemplated Rhodes Federal Unit 159 gas well to be located in Section 15, Township 26 South, Range 37 East. Gruy's C-102 form failed to identify the Gregory "B" No. 2 well, a gas well which was producing from the Rhodes Gas Pool, and failed to show that the acreage to be dedicated to the Rhodes Federal Unit 159 gas well was already dedicated to Gruy's Gregory "B" 2 well, as approved by Division Order R-9870. Gruy's C-102 form only indicated that the Rhodes Federal Unit 159 well would have 120-acres dedicated to it, contrary to Division Rule 104.C.(2)(a).

(37) On April 7, 1998, Gruy also filed a C-102 form for its contemplated Rhodes Federal Unit 103 well in Section 10, Township 26 South, Range 37 East. This C-102 form also failed to identify the Gregory "B" 2 well, and failed to show that the acreage to be dedicated to the Rhodes Federal Unit 103 well was already dedicated to the Gregory "B" 2 well, as approved by Division Order R-9870. Gruy's C-102 form for the Rhodes Federal Unit 103 well only indicated that 40-acres were to be dedicated to this gas well contrary to Division Rule 104.C.(2)(a).

(38) Gruy filed amended C-102 forms for both the Rhodes Federal Unit 103 and 159 wells on or about July 17, 1998. Gruy announced its intention at that time in a

letter to Hartman to proceed with drilling the infill wells on acreage already dedicated to the Gregory "B" 2 well.

(39) The proposed Rhodes Federal Unit Nos. 103 and 159 wells are planned on acreage which directly offsets Hartman's Bates lease.

### **GRUY'S VIOLATIONS OF DIVISION RULES**

(40) Prior to March, 1998, Division Rules were published and available to oil and gas operators in Lea County, New Mexico, and provided notice to operators such as Gruy that in non-proration gas pools, only one (1) well per spacing unit is permitted. Proration units in the Rhodes Gas Pool consist of 160-acres. Operators are required to know the Rules of the Division and abide by those rules.

(41) Gruy was either negligently unaware of the Division Rules, or intentionally violated Division Rules, in recompleting the Rhodes Federal Unit 43 well in the SW/4 of Section 4 and producing that well prior to receiving permission for simultaneous dedication from the Division.

(42) Gruy's actions in (a) recompleting the Rhodes Federal Unit 43 well without having filed a C-102 form, and (b) in recompleting and operating and producing that well while the Rhodes Federal Unit 41 well was already producing gas on the 160-acre proration unit which comprises the SW/4 of Section 4, violated Division Rules 104.C.(2)(a), 104.D.(2) and (3), and 104.E. Gruy's conduct also violated Division policy as established by the July 27, 1988 and August 3, 1990 Division Memoranda.

(43) Hartman learned of Gruy's infill drilling program on or about May 21, 1998. On the same day, Hartman sent a letter to Gruy advising Gruy of the Division Rules pertaining to development in the Rhodes Gas Pool, advising Gruy of Division policy as reflected in the July 27, 1988 Memorandum and the August 3, 1990 Memorandum, and requesting that Gruy cease its infill drilling program in this area. Upon receipt of Hartman's letter, Gruy was put on actual notice of the Division Rules which apply to the development of the Rhodes Gas Pool, and that Gruy's infill drilling program was in violation of those rules.

(44) Notwithstanding that Gruy had express notice that its infill drilling program was contrary to and in violation of Division Rules for the development of the Rhodes Gas Pool, Gruy went forward with the drilling of the Rhodes Federal Unit 415 well, recompleting that well in the Rhodes-Yates-Seven Rivers formation, and producing Rhodes-Yates-Seven Rivers gas from that well prior to receiving approval for simultaneous dedication from the Division.

(45) Notwithstanding that Gruy had express notice that its infill drilling program was contrary to and in violation of Division Rules for the development of the Rhodes Gas Pool, Gruy went forward with the drilling of its Rhodes State Com No. 5 well, completing that well in the Rhodes-Yates-Seven Rivers formation, and producing

Rhodes-Yates-Seven Rivers gas from that well prior to receiving approval for simultaneous dedication from the Division.

(46) Gruy's actions in completing the Rhodes Federal Unit No. 415 well in the Rhodes-Yates-Seven Rivers formation, and in operating and producing that well while the Rhodes Federal Unit No. 41 and 43 wells were already producing gas from the Rhodes Gas Pool on the 160-acre proration unit which comprises the SW/4 of Section 4, violated Division Rules 104.C.(2)(a), 104.D.(2) and (3). Gruy's conduct also violated Division policy as established by the July 27, 1988 and August 3, 1990 Division Memoranda.

(47) Gruy's actions in completing the Rhodes State Com 5 well in the Rhodes-Yates-Seven Rivers formation, and operating and producing that well while the Rhodes State Com wells 18 and 19 were already producing gas from the Rhodes Gas Pool on the 160-acre proration unit which comprises the NW/4 of Section 16, violated Division Rules 104.C.(2)(a), 104.D.(2) and (3). Gruy's conduct also violated Division policy as established by the July 27, 1988 and August 3, 1990 Division Memoranda.

(48) Gruy drilled its Rhodes Federal Unit 43 well, its Rhodes Federal Unit 415 well, and its Rhodes State Com 5 well prior to filing its applications in these cases for simultaneous dedication.

(49) Gruy representatives testified at the hearing in this matter that Gruy did not intend to seek modification of the pool rules which apply to development of the Rhodes Gas Pool.

(50) Gruy representatives testified at the hearing that they planned to continue to review locations within the Rhodes Gas Pool for additional infill drilling in the future, and confirmed their intention to proceed with their plans to ultimately drill the Rhodes Federal Unit Wells 103 and 159 on acreage offsetting the Hartman's Bate lease in Sections 10 and 15, Township 26 South, Range 37 East.

**EVIDENCE PRESENTED AT THE HEARING FAILS TO SUPPORT THE UNORTHODOX LOCATIONS OR THE NEED FOR SIMULTANEOUS DEDICATION**

(51) Gruy recompleted the Rhodes Federal Unit No. 43 well prior to seeking approval from the Division for an unorthodox location for a Rhodes Gas Pool well, and prior to seeking Division approval for simultaneous dedication on the 160-acre proration unit comprising the SW/4 of Section 4.

(52) Gruy drilled and completed the Rhodes State Com No. 5 well at an unorthodox location which was its location of preference for an infill well on the NW/4 of Section 16.

(53) While no opposition was presented at the hearing with respect to the unorthodox locations for the Rhodes Federal Unit No. 43 and Rhodes State Com 5 wells, the Division expressly disapproves the practice of an operator drilling or recompleting a well at an unorthodox location prior to Division approval of the unorthodox location.

(54) The Rhodes-Yates-Seven Rivers formation in the area in question in these applications is highly permeable. The reservoir has good porosity. Reservoir pressures indicate communication between and among wells producing from the Rhodes Gas Pool.

(55) Historical production data for wells producing from this formation indicate that one well is capable of economically and efficiently draining a 160-acre proration unit. Several of the early wells drilled in the formation have produced quantities of gas, demonstrating that wells are capable of draining substantially greater than 160-acres.

(56) One well completed with modern well completion or recompletion techniques is capable of economically and efficiently draining 160-acres in the Rhodes Gas Pool.

(57) There is no compelling need for additional producing Rhodes-Yates-Sever Rivers gas wells on the tracts at issue in Gruy's applications in Division cases 12015 and 12017.

(58) Gruy's correlative rights will not be impaired if it is limited to one (1) producing well on the 160-acre proration unit comprising the SW/4 of Section 4, Township 26 South, Range 37 East.

(59) Gruy's correlative rights will not be impaired if it is limited to production on the NW/4 of Section 16, Township 26 South, Range 37 East, from its Rhodes State Com wells 18 and 19. Gruy's correlative rights would not be impaired if it is limited to production from the NW/4 of Section 16, Township 26 South, Range 37 East, solely from its recently drilled Rhodes State Com No. 5 well.

(60) The correlative rights of Hartman and other gas producers in the Rhodes Gas Pool will be impaired if Gruy is allowed to produce from multiple wells on the 160-acre proration units at issue in Gruy's Applications in Division cases 12015 and 12017. The correlative rights of Hartman and other gas producers in the Rhodes Gas Pool will be impaired if Gruy is allowed to continue with its infill drilling program in the pool.

(61) The drilling of additional wells on 160-acre proration units in the Rhodes Gas Pool, where there is already a producing well or wells on the unit, constitutes economic waste.

(62) The fact that there has been a confirmed high pressure, high volume saltwater flow encountered by Hartman in drilling the Bates No. 2 well on Hartman's

Bates lease, Section 10, Township 26 South, Range 37 East, is relevant to the Division's determination in these cases. Given the confirmed water flow in this area, an operator must take extraordinary precautions in drilling any additional gas wells. Such precautions significantly increase the cost of such wells, and make it more likely that additional gas wells drilled in this area would be uneconomic and constitute economic waste.

**BASED ON THE FOREGOING, THE DIVISION FINDS THAT:**

(1) Gruy has systematically and intentionally implemented an infill drilling program in the Rhodes Gas Pool in violation of Division Rules and Regulations.

(2) Gruy has failed to present compelling evidence that Gruy's correlative rights would be impaired unless it is allowed to continuously and concurrently produce the Rhodes Federal Unit No. 43, Rhodes Federal Unit 41, and Rhodes Federal Unit No. 415 wells in the SW/4 of Section 4, Township 26 South, Range 37 East.

(3) While the Division is concerned with Gruy's systematic and intentional violations of Division Rules, in the best interest of conservation and to allow Gruy to recover its just and fair share of the gas it is entitled to in the Rhodes-Yates-Seven Rivers Gas Pool underlying the SW/4 of Section 4, the applicant should be allowed to operate its Rhodes Federal Unit No. 43 well at the proposed unorthodox gas well location in Unit L, Section 4, Township 26 South, Range 37 East, and that the applicant should be allowed to operate its Rhodes Federal Unit No. 415 well in Unit M, Section 4, Township 26 South, Range 37 East. However, the operator should be allowed to produce Rhodes gas from the three (3) wells on the 160-acre proration unit, being the Rhodes Federal Unit No. 41, Rhodes Federal Unit No. 43, and Rhodes Federal Unit No. 415, only on an alternating basis (two wells shut-in while the other produces); at no time should more than one of these wells be allowed to produce Rhodes-Yates-Seven Rivers Gas Pool production continuously, and the wells shall not produce Rhodes-Yates-Seven Rivers gas concurrently.

(4) Such production / shut-in cycle periods for these wells may be established by the Division Director after administrative request by the applicant; however, such period should not be for less than one month.

(5) Gruy is entitled to continue to produce the Rhodes State Com Nos. 18 and 19 wells continuously and concurrently if it chooses to do so.

(6) Gruy has failed to present compelling evidence that Gruy's correlative rights will be impaired unless it is allowed to additionally produce the Rhodes State Com No. 5 well in the NW/4 of Section 16, Township 26 South, Range 37 East.

(7) While the Division is concerned with Gruy's systematic and intentional violations of Division Rules, in the best interest of conservation and to allow Gruy to recover its just and fair share of the gas it is entitled to in the Rhodes-Yates-Seven

Rivers Gas Pool underlying the NW/4 of Section 16, the applicant should be allowed to operate its Rhodes State Com No. 5 well at the completed unorthodox well location in Unit C, Section 16, Township 26 South, Range 37 East. The operator should be allowed to produce Rhodes gas from the Rhodes State Com 18 and 19 wells, and the Rhodes State Com No. 5 well, only on an alternating basis (either the Rhodes State Com Nos. 18 and 19 wells producing and the Rhodes State Com No. 5 well shut-in, or the Rhodes State Com No. 5 well producing and the Rhodes State Com Nos. 18 and 19 wells shut-in); at no time should all three of these wells on the NW/4 of Section 16 be allowed to produce Rhodes-Yates-Seven Rivers Gas Pool production continuously and concurrently.

(8) Such production / shut-in cycle periods for these wells may be established by the Division Director after administrative request by the applicant; however, such period should not be for least than one (1) month.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant's request for Division approval for an unorthodox location for its Rhodes Federal Unit No. 43 gas well is conditionally approved.

(2) The applicant's request for Division approval for an unorthodox location for its Rhodes State Com No. 5 gas well is conditionally approved.

(3) The applicant shall not recomplete or drill any additional gas wells producing from the Rhodes Gas Pool at unorthodox locations without prior written approval by the Division.

(4) The applicant's request to continuously and concurrently produce Rhodes-Yates-Seven Rivers gas production in the Rhodes Gas Pool from Rhodes Federal Unit No. 43, Rhodes Federal Unit No. 41, and Rhodes Federal Unit No. 415 wells in the SW/4 of Section 4, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico is hereby denied.

(5) The applicant's request to continuously and concurrently produce Rhodes-Yates-Seven Rivers gas production from its Rhodes State Com No. 18 and 19, and Rhodes State Com No. 5 wells in the NW/4 of Section 16, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico is hereby denied.

(6) The applicant shall not recomplete or drill any additional gas wells on proration units in the Rhodes Gas Pool on which there are existing producing gas wells producing Rhodes-Yates-Seven Rivers gas without filing an Application with the Division and receiving advance Division written approval. Such approval will not be forthcoming until Gruy has provided notice to all operators in the Rhodes Gas Pool and the Division has conducted a public hearing on the merits of any Application, and unless the Division approves the Application.

(7) Jurisdiction of this case 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

LORI WROTENBERY  
Director

S E A L