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William F. Carr

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August 12, 2003

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Energy, Minerals
and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

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Oil Conservation Division

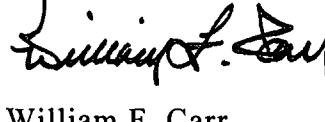
Case 13140

Re: Application of Gruy Petroleum Management Co. for a Hearing to Require Mewbourne Oil Company to appear and show cause why its Fren "8" Federal Well Nos. 2 and 3 should not be shut in and otherwise produced in compliance with Division allowable limitations for the Shugart-Strawn Pool, Eddy County, New Mexico.

Dear Ms Wrotenbery:

Enclosed in duplicate is the Application of Gruy Petroleum Management in the above-referenced case as well as a copy of a legal advertisement. Gruy Petroleum Management requests that this application be placed on the docket for the September 4, 2003 Examiner hearing.

Very truly yours,



William F. Carr

WFC/keh
Enclosures

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

**APPLICATION OF GRUY PETROLEUM
MANAGEMENT CO. FOR A HEARING TO REQUIRE
MEWBOURNE OIL COMPANY TO APPEAR AND
SHOW CAUSE WHY ITS FREN "8" FEDERAL WELL
NOS. 2 AND 3 SHOULD NOT BE SHUT IN AND
OTHERWISE PRODUCED IN COMPLIANCE
WITH DIVISION ALLOWABLE LIMITATIONS
FOR THE SHUGART-STRAWN POOL,
EDDY COUNTY, NEW MEXICO.**

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Oil Conservation Division

CASE NO. 13140

APPLICATION

Gruy Petroleum Management Co ("Gruy") hereby makes application to the Oil Conservation Division for a show cause hearing to require Mewbourne Oil Company ("Mewbourne") to appear and show cause why its Fren "8" Federal Com Well No. 2 (API No. 30-015-31794) located 1170 feet from the North line and 750 feet from the East line (Unit A), and its Fren "8" Federal Com Well No. 3 (API No. 30-015-32313) located 2276 feet from the North line and 1471 feet from the East line (Unit G) both in Section 8, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico should not be required to produce in accordance with the Special Pool Rules for the Shugart Strawn Pool, and should not be shut-in until the all over production from this spacing unit is made up, and in support of this application states:

1. The Shugart-Strawn Pool was created, pursuant to the application of Mewbourne, by Division Order No. R-11856, dated October 28, 2002. The vertical limits of the pool comprise the following lands located in Eddy County, New Mexico:

Township 18 South, Range 31 East, NMPM,

Section 5: SE/4

Section 8: N/2

2. Order No. R- 11856 also adopted Temporary Special Pool Rules for the Shugart-Strawn Pool that were proposed by Mewbourne Oil Company and provide for:

- A. 160-acre oil spacing units (Rule 2),
- B. well location requirements that require wells to be 660 feet from the outer boundary of the spacing unit and no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary (Rule 4),
- C. a special oil allowable of 1,120 barrels of oil per day with the allowable to be shared by all wells located on the spacing unit (Rule 6), and
- D. a limiting gas-oil ratio of 4,000 cubic feet of gas per barrel of oil.

3. At the time of the examiner hearing on Mewbourne's application for pool creation and special pool rules, evidence and testimony were presented that demonstrated a limiting gas-oil ratio of 4000:1 and a special depth bracket allowable of 1120 barrels of oil per day for the Shugart Strawn Pool will not result in waste caused by excessive depletion of reservoir energy, will not reduce the ultimate recovery of oil from this Strawn reservoir and will not impair correlative rights.

4. Mewbourne Oil Company operates the standard spacing unit comprised of the NE/4 of Section 8 on which its Fren "8" Federal Com Well Nos. 2 and 3 are located. Beginning in January 2003, these wells have consistently over-produced the allowable assigned to this spacing and proration unit and have not otherwise complied with the provisions of Division Rule 502 concerning monthly production tolerances nor the provisions governing the make up of excess production.

5. Gruy owns working interest in the offsetting spacing unit to the north in the SE/4 of Section 5 and operate and produce the hydrocarbons from this spacing unit in accordance with the applicable pool rules.

6. Gruy is concerned that its correlative rights will be impaired if Mewbourne consistently produces the wells on the spacing unit comprised of the NE/4 of Section 8 above the special depth bracket allowable and limiting gas-oil ratio specified in the Temporary Pool Rules for the Shugart Strawn Pool.

7. Gruy is aware that Mewbourne plans to drill a third well on their overproduced spacing unit. Gruy is concerned that this well will further compound the

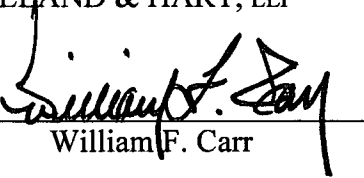
overproduced condition of the spacing unit comprised of the NE/4 of Section 8 and will further infringe on the correlative rights of offsetting working interest owners.

WHEREFORE, Gruy Petroleum Management Co. requests that this application be set for hearing before an examiner of the Oil Conservation Division and that, after notice and hearing as required by law, the Division, require that Mewbourne appear and show cause why it should not comply with Division rules and why its Fren "8" Federal Com Well Nos. 2 and 3 should not be shut-in.

Respectfully submitted,

HOLLAND & HART, LLP

By:


William F. Carr

ATTORNEYS FOR GRUY PETROLEUM
MANAGEMENT CO.

CASE 13140: Application of Gruy Petroleum Management Co. for a hearing to require Mewbourne Oil Company to appear and show cause why its Fren "8" Federal Well Nos. 2 and 3 should not be shut in and otherwise produced in compliance with Division allowable limitations for the Shugart Strawn Pool, Eddy County, New Mexico. This pool is located approximately 6.5 miles southeast of Loco Hills, New Mexico.



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

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August 5, 2003

New Mexico Oil Conservation Division
1301 W. Grand Avenue.
Artesia, NM 88210
Attn: Mr. Bryan Arrant

Re: Mewbourne Oil Company
Fern 8 #2 & Fern 8 #3
NE/4 Section 8 18S-31E
Eddy County, New Mexico

Dear Bryan:

On October 28, 2002, the New Mexico Oil Conservation Division, after due public notice, and consideration of geologic evidence, created Order No. R-11856, establishing Temporary Special Pool Rules for the Shugart-Strawn Pool, comprising the referenced 160-acre proration unit.

The Temporary Pool rules further established a special depth bracket allowable of 1,120 barrels of oil per day, with a limiting gas oil ratio of 4,000 cubic feet of gas per barrel of oil. Said allowable to be shared in any proportion with all wells within the 160-acre unit.

Gruy Petroleum Management Co. is an operator in the Shugart-Strawn pool by virtue of its Magnum Federal 5 No. 2 & 3 wells in the SE/4 of section 5-18S-31E, which is with-in one mile of the newly established pool. As a prudent operator and to protect our correlative rights, we are hereby alerting the Oil Conservation Division of a violation by Mewbourne Oil Company of the pools special depth bracket allowable, and 4,000:1 limiting gas oil ratio.

Attached is a spreadsheet tabulating current C-115 data for Mewbourne Oil Companies Fern 8 No. 2 & 3 wells, which share the allowable in the NE/4 of section 8. The tabulation shows that since January of 2003, Mewbourne is in violation of Division Rules 502.B. & C. regarding Monthly Tolerance, and Rule 506.B.(1), regarding Gas-Oil Ratio Limitation.

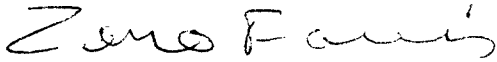
Gruy Petroleum Management respectfully requests that the Oil Conservation Division take immediate action against Mewbourne Oil Company, to enforce the daily allowable and limiting gas oil ratio established for the Shugart-Strawn pool.

It also has come to our attention through BLM public records that Mewbourne has submitted a Notice of Staking for a third well in their already over-produced proration unit, at a location of 660' FNL & 1650' FEL of section 8. This location directly offsets our Shugart- Strawn production in the SE/4 of section 5. Gruy is concerned that the proposed well will further compound the allowable and limiting gas oil ratio problems in this proration unit.

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If have any questions, or require additional information concerning this matter, please feel free to contact the undersigned at 972-443-6489.

Sincerely,



Zeno Farris
Manager, Operations Administration

cc:

✓ State of New Mexico
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
Attn: Lori Wrotenbery

Holland & Hart LLP
110 North Guadalupe, Suite 1
Santa Fe, NM 87501
Attn: Michael H. Feldewert

Mewbourne Oil Company
Shugart Strawn Allowable Summary
NE/4 Section 8-18S-31E
Eddy County New Mexico

03 Month	Fern 8 # 2		Fern 8 # 3		Allow/Oil	Allow/Gas	Over/Under Oil	Over/Under Gas	Daily		ADJ Allow
	BO	MCF	BO	MCF					Cur Oil	Unit GOR	
Jan	31436	90756	7210	32009	34720	138880	3,926	(16,115)	1247	3177	1120
Feb	25772	88003	5957	31285	31360	125440	369	(6,152)	1133	3760	1120
Mar	33801	137453	5963	33065	34720	138880	5,044	31,638	1283	4288	1045
April	30606	146349	4881	31010	33600	134400	1,887	42,959	1183	4998	896
May	24137	122884	3928	25017	34720	138880	(6,655)	9,021	905	5270	850
June							0	0	0		
July							0	0			
August							0	0			
Sept							0	0			
Oct							0	0			
Nov							0	0			
Dec							0	0			
							Cum Oil over/under	4,571	61,351	Cum Gas over/under	

Note: In May the field was shut-in for 3 days due to plant maintenance by Duke Energy Field Services