

**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 NO. 13140
ORDER NO. R-12122**

**APPLICATION OF GRUY PETROLEUM MANAGEMENT COMPANY FOR A
HEARING TO REQUIRE MEWBOURNE OIL COMPANY TO APPEAR AND
SHOW CAUSE WHY TWO OF ITS WELLS IN THE SHUGART-STRAWN POOL
SHOULD NOT BE SHUT-IN OR HAVE THEIR PRODUCTION CURTAILED.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 4, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of March, 2004, the Division Director, having considered the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-11856, issued in Case No. 12940 on October 28, 2002, the Division, upon application of Mewbourne Oil Company ("Mewbourne"), created the Shugart-Strawn Pool (97239), the vertical limits of which comprise the Strawn interval of the Pennsylvanian formation. The horizontal limits for this pool, as currently defined, include the following-described lands in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 5:	S/2
Section 8:	N/2.

(3) Division Order No. R-11856 also established the "*Temporary Special Rules and Regulations for the Shugart-Strawn Pool*," which provide for:

(a) standard 160-acre spacing and proration units consisting of a single governmental quarter section;

(b) designated well location requirements such that a well shall be located no closer than 660 feet to the outer boundary of the spacing and proration unit, nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary;

(c) a special top unit depth bracket allowable of 1,120 barrels of oil per day for a standard 160-acre unit;

(d) a limiting casinghead gas-oil ratio of 4,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 4.48 MMCF of gas per day for a standard 160-acre unit.

(4) Mewbourne is the operator of the standard 160-acre oil spacing and proration unit in the Shugart-Strawn Pool comprising the NE/4 of Section 8. At the time of the hearing, this unit was simultaneously dedicated to Mewbourne's:

(a) Fren "8" Federal Com. Well No. 2 (API No. 30-015-31794), located at an unorthodox oil well location (grandfathered in as approved by Division Order No. R-11856) 1170 feet from the North line and 750 feet from the East line (Unit A) of Section 8; and

(b) Fren "8" Federal Com. Well No. 3 (API No. 30-015-32313), located at an unorthodox oil well location (also grandfathered in as approved by Division Order No. R-11856) 2276 feet from the North line and 1471 feet from the East line (Unit G) of Section 8.

(5) The applicant in this case, Gruy Petroleum Company ("Gruy"), seeks a hearing requiring Mewbourne to appear before the Division and show cause why Strawn production from the above-described Fren "8" Federal Com. Wells No. 2 and 3 within the NE/4 of Section 8, being a standard 160-acre oil spacing and proration unit in the Shugart-Strawn Pool, should not be: (i) curtailed in accordance with production allowables set forth in the special rules governing the Shugart-Strawn Pool; and (ii) shut-in until any such overproduction attributed to this 160-acre spacing and proration unit is made up.

(6) Prior to the hearing date, legal counsel for both Mewbourne and Gruy met with the Division Examiner for a pre-hearing conference.

(7) This case was subsequently dismissed at the hearing.

IT IS THEREFORE ORDERED THAT:

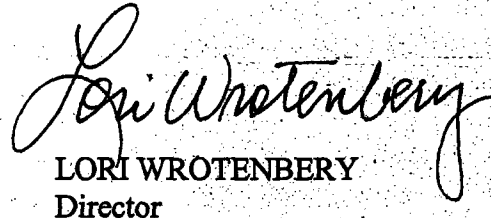
Case No. 13140 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director