

Before the New Mexico Oil Conservation Commission
Gavilan-West Puerto Chiquito-Mancos Pool Cases

Parties: Dugan Production Corporation, Jerome P. McHugh &
Sun Exploration and Production Company
Attorney: W. Thomas Kellahin, Kellahin, Kellahin & Aubrey,
Santa Fe, New Mexico 87504 (505) 982-4285

In compliance with the Commission's notice and docket for the referenced cases, the above parties state that they will present geologic and engineering evidence to prove that:

1. The Gavilan-Mancos Oil Pool and The West Puerto Chiquito Mancos Oil Pool are producing from a single common source of supply, i.e., one pool.
2. The Pool is a highly fractured stratified reservoir which produces from a combination of solution gas drive and gravity drainage, supplemented by gas injection pressure maintenance. The majority of the oil is contained within natural fractures and the formation matrix will have little or no contribution to ultimate recoveries.
3. The Gavilan and West Puerto Chiquito-Mancos producing areas are in effective pressure communication with each other.
4. Based upon pressure maintenance and interference testing good communication exists well to well and throughout the reservoir and a maximum well spacing of 640 acres per well should be established.
5. Minimizing the unnecessary dissipation of natural reservoir energy by restricting the gas oil ratios to 600 cubic feet of gas per barrel of oil produced by restricting the producing rate to 800 barrels of oil per day based upon 640 acre spacing will result in more effective production of the pool and will increase ultimate recovery.
6. The current pool allowable of 702BOPD for a 320 acre spacing unit (1342BOPD for a 640 acre spacing unit in the adjacent West Puerto Chiquito Mancos Pool) as derived from the statewide depth bracket schedule is too high and does not properly consider the unique reservoir characteristics that exist in the mancos formation.
7. The Pool reservoir pressures are continuing to decline and the GOR continuing to increase at excessive rates even with the adoption of the temporary provisions of Order R-7407-D so that the Commission must take further measures to restrict well density, allowables and gas-oil ratio limits in order to prevent waste.
8. That under current rules, waste is occurring and will continue to occur in the future, resulting in a large amount of the original oil being left unrecovered.
9. The current Gavilan-Mancos Oil Pool Rules promote the drilling of unnecessary wells, cause waste to occur, encourage competitive operations which create waste and should be abolished and replaced with the West Puerto Chiquito Mancos Oil Pool Rules as amended.

UTL took copy of application

U-2

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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February 26, 1987

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*NOT LICENSED IN NEW MEXICO

HAND DELIVERED

RECEIVED

FEB 26 1987

OIL CONSERVATION DIVISION

Case 9114

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87503

Re: In the Matter of the Application of Mesa Grande
Resources to Extend the Boundaries of the Gavilan
Mancos Oil Pool and to Contract the Boundaries of the
West Puerto Chiquito Mancos Oil Pool, Rio Arriba
County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the application of Mesa Grande
Resources, Inc. in the above-referenced case.

The applicants request that this case be set for hearing
before the full Commission at the same time as the Commission
hearing concerning the permanent rules for the Gavilan Mancos Oil
Pool.

Sincerely,

Owen Lopez / mg
Owen M. Lopez

OML/mg

Enclosure

cc: Larry Sweet
Greg Phillips
All Counsel of Record

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

July 9, 1987

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(505) 827-5800

See case 9113

William O. Jordan, Esq.
28 Old Arroyo Chamiso
Santa Fe, New Mexico 87505

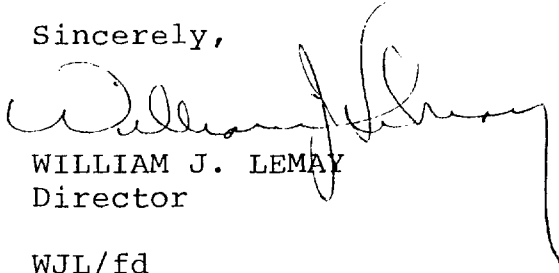
Re: Case Nos. 7980, 8946,
9113, 9114, and 8950

Dear Mr. Jordan:

We are in receipt of your Application for Rehearing filed in this matter on July 9, 1987. NMSA 70-2-25(A) 1978 requires that Applications for Rehearing be filed within twenty days of the entry of the order. Because the order in the referenced cases was entered on June 8, 1987, your Application for Rehearing was not timely filed and is therefore rejected.

If you have any questions, please contact either myself or Jeff Taylor at 827-5800.

Sincerely,


WILLIAM J. LEMAY
Director

WJL/fd

MONTGOMERY & ANDREWS

OF COUNSEL
William R. Federici

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

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A. K. Montgomery (1903-1987)
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July 22, 1987

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Gary R. Kilpatrick	Katherine W. Hall
Thomas W. Olson	Edmund H. Kendrick
William C. Madison	Helen C. Sturm
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Stephen S. Hamilton	Helen L. Stirling
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REPLY TO SANTA FE OFFICE

See case 9113

Tom C. Barr, Secretary
Energy, Minerals and
Natural Resources Department
Villagra Building
Santa Fe, New Mexico 87501

Re: Review of Oil Conservation Commission Orders
R-7407-E and R-6469-D

Dear Secretary Barr:

Enclosed please find the Application for Review of two Oil Conservation Commission orders. Under the provisions of the New Mexico Oil and Gas Act, you are authorized to hold hearings to review Commission orders, if it appears that those orders contravene the State's energy plan or the public interest. Mallon Oil Company and Mesa Grande Resources believe that such contraventions have occurred.

Because of the short time frame established by the statute, Mallon and Mesa Grande request that a hearing be opened on or before July 29, 1987 at which time we request that a future date be set for counsel for the parties to present argument after you and your staff have had an opportunity to review the record and briefs in this matter.

Tom C. Barr, Secretary
July 22, 1987
Page 2

Thank you for your consideration of and attention to this vitally important matter.

Sincerely,



W. Perry Pearce

WPP:mp:71
#9831-86-01
Enclosures
cc w/enclosures:
Charles Roybal, Esquire
Mr. William LeMay
Jeff Taylor, Esquire
All Counsel of Record

FIFTH JUDICIAL DISTRICT COURT

COUNTY OF CHAVES

STATE OF NEW MEXICO

JJ-CC LIMITED, a Colorado Limited
Partnership, and JACK J. GRYNBERG,
as General Partner of JJ-CC Limited,

Plaintiffs,

vs.

No. CV-83-638

MESA PETROLEUM COMPANY, a Delaware
corporation; MCKAY OIL CORPORATION,
a New Mexico corporation; MINOCO
SOUTHERN CORPORATION in its capacity
as General Partner of Minoco 1981-LC
Oil and Gas Program; a partnership;
MINOCO 1981-LC OIL AND GAS PROGRAM,
a partnership; and CORONA OIL COMPANY,
a Texas corporation,

Defendants,

OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO,

Intervenor.

ORDER

THIS MATTER having come before the Court for trial on the merits, and the Court being otherwise fully advised in the premises, finds as follows:

1. Upon the request for hearing submitted on May 24, 1985 by the Defendant Mesa Petroleum Company, this matter was set for trial on the merits at 9:00 a.m. on October 2, 1985. Notice of the trial setting was duly served by the clerk of the court upon all counsel of record.

2. At the time of trial on the merits, appearances were entered for each of the parties in attendance as follows: Steven C. James - attorney for Mesa Petroleum Company; William F. Carr, Campbell & Black, P.A. - attorneys for Mesa Petroleum Company and Corona Oil Company; Damon Richards - McKay Oil Corporation and Minoco 1981-LC Oil and Gas Program; and, Jeffrey S. Taylor - New Mexico Oil Conservation Commission.

3. The plaintiffs failed to attend at trial and no attorneys were present or entered an appearance on their behalf. The pleadings and documents on file with the Court indicate that counsel of record for the plaintiffs are Thomas K. Campbell II and Phillip D. Barber. The court's docket contains no motion or order for the withdrawal or substitution of counsel for the plaintiffs.

4. At trial, the Court, upon its own motion, invited the defendants and intervenor to submit an order for entry by the Court granting relief to them as appropriate and authorized under the New Mexico Rules of Civil Procedure.

5. The plaintiffs are wholly in default in this cause.

6. The defendants and intervenor are entitled to the dismissal of this cause with prejudice pursuant to Rules 41(B), 54(D) and 55 of the New Mexico Rules of Civil Procedure.

7. Each of the parties defendant and the intervenor are entitled to recover from the plaintiffs their full costs, including attorneys' fees, in defending this cause of action.

WHEREFORE, IT IS ORDERED as follows:

1. The plaintiffs' cause of action is dismissed with prejudice.

2. This dismissal shall constitute an adjudication on the merits against the plaintiffs and in favor of the defendants and intervenor.

3. The plaintiffs shall pay to the defendants and the intervenor their full costs and attorneys' fees incurred in the defense of this action, plus the interest thereon at the maximum legal rate prevailing at the date of this Order.

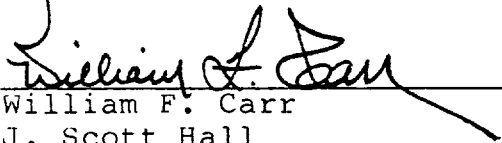
4. The defendants shall submit to the Court their applications for costs and attorneys' fees, along with their affidavits and cost bills setting out in sufficient detail the costs and attorneys' fees incurred by each.

DISTRICT JUDGE

Approved:

CAMPBELL & BLACK, P.A.

By



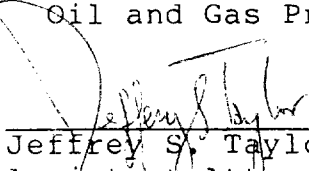
William F. Carr

J. Scott Hall

Attorneys for Defendants Mesa
Petroleum Company and Corona
Oil Company

Damon Richards

Attorney for Defendants McKay Oil
Corporation and Minoco 1981-LC
Oil and Gas Program



Jeffrey S. Taylor

Assistant Attorney General
Attorney for the Intervenor, New
Mexico Oil Conservation Commission

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December 3, 1985

William F. Carr, Esq.
Campbell & Black
P.O. Box 2208
Santa Fe, New Mexico 87501

Jeffrey S. Taylor, Assistant Attorney General
State of New Mexico Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: JJ-CC Limited, et.al. vs. Mesa Petroleum Company, et.al.,
Chaves County District Court Cause NO. Cv-83-638

Dear Gentlemen:

Enclosed please find an endorsed copy of the Order which was filed
in the above-captioned case for your reference.

Should you have any questions, please do not hesitate to contact
me.

Very truly yours,

SOLSBERY & RICHARDS

By


Damon Richards

DR/pah
Enclosure

11/25/85

JEAN WILLIS, CLERK

FIFTH JUDICIAL DISTRICT COURT

COUNTY OF CHAVES

STATE OF NEW MEXICO

JJ-CC LIMITED, a Colorado Limited
Partnership, and JACK J. GRYNBERG,
as General Partner of JJ-CC Limited,

Plaintiffs,

vs.

No. CV-83-638

MESA PETROLEUM COMPANY, a Delaware
corporation; MCKAY OIL CORPORATION,
a New Mexico corporation; MINOCO
SOUTHERN CORPORATION in its capacity
as General Partner of Minoco 1981-LC
Oil and Gas Program; a partnership;
MINOCO 1981-LC OIL AND GAS PROGRAM,
a partnership; and CORONA OIL COMPANY,
a Texas corporation,

Defendants,

OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO,

Intervenor.

ORDER

THIS MATTER having come before the Court for trial on the
merits, and the Court being otherwise fully advised in the
premises, finds as follows:

1. Upon the request for hearing submitted on May 24, 1985
by the Defendant Mesa Petroleum Company, this matter was set for
trial on the merits at 9:00 a.m. on October 2, 1985. Notice of
the trial setting was duly served by the clerk of the court upon
all counsel of record.

2. At the time of trial on the merits, appearances were entered for each of the parties in attendance as follows: Steven C. James - attorney for Mesa Petroleum Company; William F. Carr, Campbell & Black, P.A. - attorneys for Mesa Petroleum Company and Corona Oil Company; Damon Richards - McKay Oil Corporation and Minoco 1981-LC Oil and Gas Program; and, Jeffrey S. Taylor - New Mexico Oil Conservation Commission.

3. The plaintiffs failed to attend at trial and no attorneys were present or entered an appearance on their behalf. The pleadings and documents on file with the Court indicate that counsel of record for the plaintiffs are Thomas K. Campbell II and Phillip D. Barber. The court's docket contains no motion or order for the withdrawal or substitution of counsel for the plaintiffs.

4. At trial, the Court, upon its own motion, invited the defendants and intervenor to submit an order for entry by the Court granting relief to them as appropriate and authorized under the New Mexico Rules of Civil Procedure.

5. The plaintiffs are wholly in default in this cause.

6. The defendants and intervenor are entitled to the dismissal of this cause with prejudice pursuant to Rules 41(B), 54(D) and 55 of the New Mexico Rules of Civil Procedure.

7. Each of the parties defendant and the intervenor are entitled to recover from the plaintiffs their full costs, including attorneys' fees, in defending this cause of action.

WHEREFORE, IT IS ORDERED as follows:

1. The plaintiffs' cause of action is dismissed with prejudice.

2. This dismissal shall constitute an adjudication on the merits against the plaintiffs and in favor of the defendants and intervenor.

3. The plaintiffs shall pay to the defendants and the intervenor their full costs and attorneys' fees incurred in the defense of this action, plus the interest thereon at the maximum legal rate prevailing at the date of this Order.

4. The defendants shall submit to the Court their applications for costs and attorneys' fees, along with their affidavits and cost bills setting out in sufficient detail the costs and attorneys' fees incurred by each.

/s/ Paul Snead
DISTRICT JUDGE

Approved:

CAMPBELL & BLACK, P.A.

By

William F. Carr
J. Scott Hall

Attorneys for Defendants Mesa
Petroleum Company and Corona
Oil Company

Damon Richards
Damon Richards

Attorney for Defendants McKay Oil
Corporation and Minoco 1981-LC
Oil and Gas Program

Jeffrey S. Taylor
Jeffrey S. Taylor

Assistant Attorney General
Attorney for the Intervenor, New
Mexico Oil Conservation Commission

IN THE FIFTH JUDICIAL DISTRICT
COUNTY OF CHAVES
STATE OF NEW MEXICO

JJ-CC LIMITED, et al.

Plaintiffs,

vs.

No. CV-83-638

MESA PETROLEUM CO., et al.,

Defendants.

ORDER

THIS MATTER having come before the Court on the Motions of the Defendants Mesa Petroleum Co. and Corona Oil Company to Dismiss Certain Claims for Relief and for Protective Order and Stay of Discovery, and on the Plaintiffs' Motion to Compel Production, and the Court being fully advised, FINDS:

1. Pursuant to the application of the Plaintiffs, the New Mexico Oil Conservation Division on April 5, 1982, entered its Order R-6925 granting the Plaintiffs' request to pool the subject lands therein and their designation of operator and Order R-6930 denying a like application submitted by the Defendant Mesa Petroleum Company.

2. On April 6, 1982, Defendant Mesa Petroleum Co. applied for a hearing de novo before the Oil Conservation Commission to consider both the applications referenced in paragraph 1 above. On or near the time of the de novo hearing of May 17, 1982, the No. 1 Grynberg 12 State Comm Well drilled by the Plaintiffs on the subject lands was determined to be a dry hole.

3. On June 5, 1982, the Oil Conservation Commission entered Order R-6925-A which found, among other things, that as a result of the dry hole, Order R-6925 should no longer be in force and effect and thereupon entered Order R-6930-A granting the application of Mesa Petroleum Company pooling the subject lands and designating Mesa as operator of the unit. By the same order, the Oil Conservation Commission retained jurisdiction over matters relating to well costs.

4. The Defendant Mesa completed the No. 9 Camack Federal Well as a commercial producer in September, 1982 on the subject lands. Subsequently, on January 19, 1983, Plaintiffs filed with the Oil Conservation Commission an application, followed by an amended application, raising certain objections to drilling costs incurred on the No. 9 Camack Federal Well.

5. The Oil Conservation Commission heard the Plaintiffs' application on June 1, 1983 and subsequently issued on September 16, 1983, Order R-6930-B denying each of the Plaintiffs' claims, but retaining jurisdiction of the cause for the entry of such further orders as the Commission may deem necessary. Plaintiffs' Motion for Rehearing was filed and subsequently denied.

6. On October 31, 1983, the Plaintiffs initiated the instant proceeding raising matters concerning the aforementioned proceedings brought before the Oil Conservation Division and Oil Conservation Commission and addressed in their concomitant orders.

7. Section 70-2-25, subsection B which concerns appeals from orders of the Oil Conservation Commission, in pertinent part

thereof, reads: "Any party of record to such rehearing proceeding dissatisfied with the disposition of the application for rehearing may appeal therefrom to the District Court of the County wherein is located any property of such party affected by the decision by filing a petition for the review of the action of the Commission within twenty days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing."

8. The instant proceeding should therefore be treated as a statutory appeal from the decision of the Oil Conservation Commission, pursuant to §70-2-25, N.M.S.A. (1978) and that it be so treated as such for the purpose of further proceedings herein.

9. The Plaintiffs' Motion to Compel Production of Documents should be denied, and the Defendants' Motion for Protective Order and to Stay Discovery should be granted.

IT IS THEREFORE ORDERED as follows:

1. This proceeding shall be treated as a statutory appeal from the decision of the Oil Conservation Commission on rehearing pursuant to §70-2-25, N.M.S.A. (1978), and that it be so treated for the purpose of further proceedings herein.

2. The Plaintiffs' Motion to Compel Production of Documents

is denied.

3. The Defendants' Motion for Protective Order is granted,
and discovery herein is hereby stayed.

DATED: _____.

DISTRICT JUDGE

APPROVED:

STEVEN C. JAMES
Mesa Petroleum Company
Post Office Box 2009
Amarillo, Texas 79189-2009

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J. SCOTT HALL
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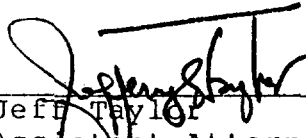
ATTORNEYS FOR DEFENDANTS MESA
PETROLEUM CO. and CORONA OIL
COMPANY

By


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