

MESA GRANDE RESOURCES, INC.

**1200 PHILTOWER BUILDING
TULSA, OKLAHOMA 74103
(918) 587-8494**

February 26, 1986

Mr. Richard L. Stamets
State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

M.S.

Re: Case No. 8838
Non-Standard Spacing for
the Gavilan Oil Pools

Dear Mr. Stamets:

NMOCD Case No. 8838 is set for Examiner Hearing on March 5, 1986. In this case, the Oil Conservation Division seeks exceptions to certain provisions of the Special Rules for the Gavilan Mancos and Gavilan Greenhorn-Graneros-Dakota Oil Pools, authorizing the establishment of seven non-standard oil spacing and proration units in Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, in order to allow for the development of the irregular sections which are situated along the western border of that township. Mesa Grande Resources, Inc., as an operator in the Gavilan Mancos and Gavilan Greenhorn-Graneros-Dakota Oil Pools, and as a major lease holder in the area which will be affected by the subject case, would like to go on record supporting the state's application.

From a geological standpoint, Mesa Grande believes that the proposed creation of the 505+ acre non-standard proration units, and the allowance for the drilling of a second well on those units, will cause a more logical drilling pattern; result in an orderly development program; insure better reservoir management; and prevent the waste of reservoir energy. From the viewpoint of administration, and after considering alternate proposals, we expect this proposal to cause the least disruption of currently existing units and therefore create fewer alterations of agreements in place. In both instances, we feel the correlative rights of all owners of interest have been protected and best served.

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION EXHIBIT NO. <u>3</u> CASE NO. _____
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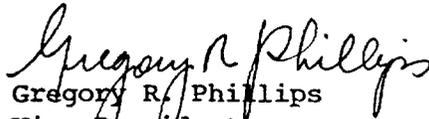
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DIST. 3

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In order to support NMOCD Case No. 8838, we must oppose NMOCD Case No. 8839 as proposed by Jerome P. McHugh. The drainage radius of the wells proposed by the applicant, if drilled to the Gavilan Mancos Oil Pool at the suggested locations, would extend beyond the boundaries of the proposed proration units because of the disparity between the length and width of the units. As stated above, we feel the recommendation of the Oil Conservation Division in Case No. 8838 is appropriate and should be instituted throughout the irregular sections.

Mesa Grande does not plan to have a witness testify at the hearing of Case No. 8838. Therefore, we respectfully request that this letter be accepted as evidence of our support for the Oil Conservation Division's application.

Respectfully Yours,
MESA GRANDE RESOURCES, INC.


Gregory R. Phillips
Vice President

GRP:dw

cc: Jerome P. McHugh
Ernie Busch, Aztec District Office (CERTIFIED MAIL P259-366-952)

CERTIFIED MAIL P259-366-951

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE OIL CONSERVATION DIVISION
ON ITS OWN MOTION TO CONSIDER ESTABLISHING SIX
NON-STANDARD PRORATION AND SPACING UNITS FOR ANY
AND ALL FORMATIONS AND/OR POOLS DEVELOPED ON
160-ACRE SPACING FROM THE BASE OF THE BLANCO
MESAVERDE POOL DOWNWARD IN SECTIONS 6, 7, 18, 19,
30, AND 31, TOWNSHIP 26 NORTH, RANGE 2 WEST, RIO
ARRIBA COUNTY, NEW MEXICO

CASE NO. 8852
Order No. R-8227

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of May, 1986, the Division Director, having considered 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) At the time of the hearing Division Cases Nos. 8852 and 8853 were consolidated for the purpose of testimony.

(3) Due to variations in legal subdivisions of the United States Public Land Surveys along the western boundary of Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, Sections 6, 7, 18, 19, 30, and 31 of said Township are irregular in size.

(4) In order to ensure systematic development of said acreage, thereby preventing waste and protecting correlative rights, the Division should establish individual non-standard proration units approximating 160 acres for any and all formations and/or pools developed on 160-acre spacing and proration units from the base of the Blanco Mesaverde Pool downward in Sections 6, 7, 18, 19, 30 and 31, all in said Township 26 North, Range 2 West.

(5) The acreage contained in each individual proration unit should be based on the latest official surveys and/or resurveys accepted by the United States Department of the Interior.

(6) No party objected to the establishment of the proposed non-standard proration units.

IT IS THEREFORE ORDERED THAT:

(1) The following described six non-standard spacing and proration units are hereby established for any and all formations and/or pools developed on 160-acre spacing from the base of the Blanco Mesaverde Pool downward, Rio Arriba County, New Mexico:

TOWNSHIP 26 NORTH, RANGE 2 WEST,
RIO ARRIBA COUNTY, NEW MEXICO

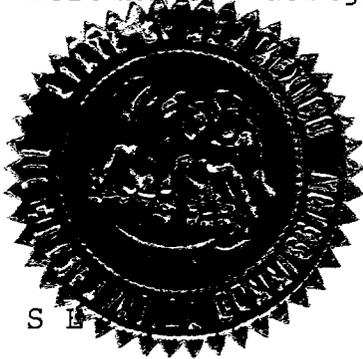
<u>UNITS</u>	<u>ACREAGE</u>	<u>SECTION</u>	<u>DESCRIPTION</u>
1	165.34	6	Lots 1 through 4
2	170.32	7	Lots 1 through 4
3	173.56	18	Lots 1 through 4
4	177.76	19	Lots 1 through 4
5	181.00	30	Lots 1 through 4
6	183.44	31	Lots 1 through 4

(2) The acreage contained in each of the above-described proration units is based on the latest official surveys and/or resurveys accepted by the United States Department of the Interior, and, in the event further official surveys are made in the subject township, the acreage in each affected proration unit shall conform to the change.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Case No. 8852
Order No. R-8227

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "R. L. Stamets".

R. L. STAMETS
Director

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