

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:

APPLICATION OF MEWBOURNE OIL COMPANY  
TO REOPEN CASE NO. 12940 TO AMEND AND  
MAKE PERMANENT THE SPECIAL RULES AND  
REGULATIONS FOR THE SHUGART-STRAWN  
POOL, AND FOR A DISCOVERY ALLOWABLE,  
EDDY COUNTY, NEW MEXICO.

Case No. 12,940

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mewbourne Oil Company as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Mewbourne Oil Company  
Suite 1020  
500 West Texas  
Midland, Texas 79701  
Attention: Larry Cunningham  
(505) 682-3715

APPLICANT'S ATTORNEY

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

OPPONENT

Harvey E. Yates Company  
Pecos Production Company  
Gruy Petroleum Management Co.

OPPONENT'S ATTORNEY

Michael H. Feldewert

STATEMENT OF THE CASE

APPLICANT

The temporary special rules and regulations for the Shugart-Strawn Pool include provisions for 160-acre spacing, a special depth bracket allowable of 1120 BOPD, and a gas:oil ratio of 4000 cubic feet of gas for each barrel of oil produced. Applicant seeks to amend the rules to increase the depth bracket allowable to 1350 BOPD, and to increase the gas:oil ratio to 10,000 cubic feet of gas for each barrel of oil produced. Applicant also requests that it be granted a discovery allowable.

OPPONENT

**PROPOSED EVIDENCE**

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Ralph Nelson (geologist)	25 min.	Approx. 4
Bryan Montgomery (engineer)	50 min.	Approx. 15

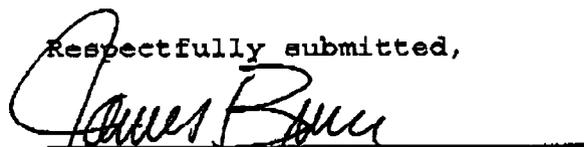
OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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**PROCEDURAL MATTERS**

-None-

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Newbourn Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was served via facsimile transmission upon the following counsel of record this 16<sup>th</sup> day of November, 2003:

Michael Feldewert  
Holland & Hart LLP  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
(505) 983-6043



James Bruce

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

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EDDY COUNTY, NEW MEXICO,

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Oil Conservation Division  
Case No. 12940 (Reopened)

AFFECTED PARTIES' PRE-HEARING STATEMENT

Gruy Petroleum Management Company, Harvey E. Yates Company and Pecos Production Company, the affected parties in the above referenced matter, hereby submits this Pre-Hearing Statement as required by the rules of the New Mexico Oil Conservation Division.

APPEARANCES

APPLICANT

Mewbourne Oil Company

ATTORNEY

James Bruce  
PO Box 1056  
Santa Fe, NM 87504

AFFECTED PARTIES

Gruy Petroleum Management Company  
Harvey E. Yates Company  
Pecos Production Company

AFFECTED PARTIES' ATTORNEY

Michael H. Feldewert, Esq.  
Holland & Hart, LLP  
P. O. Box 2208  
Santa Fe, NM 87504-2208  
505/988-4421

STATEMENT OF CASE

The Shugart–Strawn Pool was created by Division Order No. R-11856 (dated October 28, 2002) pursuant to an application filed by Mewbourne. 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

At the time of its application, Mewbourne submitted evidence that a new common source of supply had been discovered, but Mewbourne did not request a discovery allowable. In addition, Mewbourne presented evidence that increasing the gas-oil ratio to 4000:1 and increasing the depth bracket allowable to 1120 barrels of oil per day would not result in waste caused by excessive depletion of reservoir energy, would not reduce the ultimate recovery of oil from this Strawn reservoir, and would not impair correlative rights. As a result of Mewbourne's presentation, Division Order No. R- 11856 adopted the following Temporary Special Pool Rules for the Shugart-Strawn Pool:

- 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 (Rule 7).

Division Order No. R-11856 further ordered that:

This case shall be reopened at an examiner hearing in March, 2004, at which time the operators in the Shugart-Strawn Pool shall appear and present evidence to show cause why the temporary special pool rules established by this order should not be rescinded.

Order No. R-11856, at ¶ (5).

In August 2003, the operators in the Shugart-Strawn Pool discovered Mewbourne's Fren "8" Federal Com Well Nos. 2 and 3 in the NE/4 of Section 8 had been in violation of the Special Pool Rules since January of 2003 by consistently overproducing the special oil and gas allowables assigned to this spacing and proration unit. Only after this overproduction was brought to the attention of the Division did Mewbourne curtail its wells.

Mewbourne's present application now seeks to amend the Special Pool Rules for the Shugart-Strawn Pool as follows:

- (a) to further increase the special depth bracket allowable from 1120 BOPD to 1350 BOPD, an amount over twice the 560 BOPD allowed under Rule 505.A;
- (b) to further increase the GOR from 4000:1 to 10,000:1, an amount five times the 2,000:1 rate allowed under Rule 505.B; and
- (c) to compound the requested increase in the depth bracket allowable by requesting a discovery allowable under Rule 509.

The affected parties are comprised of all other operators in the Shugart-Strawn Pool. These operators object to Mewbourne's application on the grounds that it is premature, will result in waste caused by excessive depletion of reservoir energy, and will otherwise impair correlative rights.

#### PROPOSED EVIDENCE

<u>WITNESS</u> <u>(Name and Expertise)</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Mark Hawkins, Geologist with Pecos Production Company	Approx. 15 minutes	Approx. 5
Aaron Dover, Registered Professional Reservoir Engineer with Pecos Production Company	Approx. 20 minutes	Approx. 5
Bill Juroski, Reservoir Engineer with Gruy Petroleum Management Company	Approx. 20 minutes	Approx. 8

#### PROCEDURAL MATTERS

Mewbourne has refused to provide the affected parties with the geologic and engineering studies, volumetric studies, mud logs, 3-D seismic data and the other information

on the Strawn Reef requested in paragraphs 7, 8 and 9 of the Subpoena Duces Tecum issued by the Division on October 3, 2003, on behalf of the affected parties.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert

P.O. Box 2208

Santa Fe, NM 87504-2208

505/988-4421

Attorneys for Gruy Petroleum Management Company,  
Harvey E. Yates Company, and Pecos Production  
Company.

**CERTIFICATE OF SERVICE**

I certify that on November 17, 2003 I served a copy of the foregoing document to the following by;

- U.S. Mail, postage prepaid
- Hand Delivery
- Fax

James Bruce  
PO Box 1056  
Santa Fe, NM 87504  
Facsimile No: 982-2151

  
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Michael H. Feldewert

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