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\*NOT LICENSED IN NEW MEXICO

Mr. William J. LeMay  
Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico 87501


Re: Extension of Gavilan-Mancos Oil Pool and Contract of  
West Puerto Chiquito-Mancos Oil Pool

Dear Bill:

Please find enclosed our application on behalf of Mesa Grande, Ltd. to extend the boundaries of the Gavilan-Mancos Oil Pool and to contract the boundaries of the West Puerto Chiquito-Mancos Oil Pool. The application is self-explanatory and logically coincides with the underlying issue raised in Case No. 9111, Benson-Martin-Greer's request for an expansion of the Canada Ojitos Joint Pressure Maintenance Project.

We would appreciate your setting this case for hearing in conjunction with all the other Gavilan matters to be heard June 13-17. Thank you for your consideration of our request.

Sincerely,



Owen M. Lopez

OML:tao

BEFORE THE  
OIL CONSERVATION COMMISSION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF MESA GRANDE, LTD. 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.

APPLICATION

Mesa Grande, Ltd. hereby applies to the New Mexico Oil Conservation Commission for an order extending the pool boundaries of the Gavilan-Mancos Oil Pool and contracting the pool boundary of the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, and in support of its application states:

1. Applicants are the owners of substantial interests in the Gavilan-Mancos Oil Pool in Rio Arriba County, New Mexico.

2. The Commission, by Order No. R-2565-B entered on November 28, 1966, created the West Puerto Chiquito-Mancos Oil Pool out of the Puerto Chiquito-Mancos Oil Pool. The pool rules for said pool were made permanent by Order No. R-2565-C.

3. The Commission by Order No. R-7407 entered in Case No. 7980 on December 20, 1988, created the Gavilan-Mancos Oil Pool and promulgated Temporary Special Pool Rules and Regulations therefor including a provision for 320-acre spacing or proration units. Order No. R-7407, as amended, provided that Case No. 7980 be reopened in 1987.

4. The Gavilan-Mancos Oil Pool and the West Puerto Chiquito Mancos Oil Pool share a common boundary.

5. Case No. 7980 was reopened in March 1987 and was consolidated for hearing with Case No. 8946 (regarding gas-oil ratios and allowables in the Gavilan-Mancos Oil Pool), and Case Nos. 9113 (to abolish the Gavilan-Mancos Oil Pool and extend the West Puerto Chiquito-Mancos Oil Pool) and 9114 (to extend the Gavilan-Mancos Oil Pool and contract the West Puerto Chiquito-Mancos Oil Pool).

6. Order No. R-7407-E, entered June 8, 1987, increased well spacing to 640 acres, made permanent the Gavilan-Mancos Pool Rules, as amended, and denied the relief requested in Case Nos. 9113 and 9114. Said order provided for the reopening of these matters in 1988 to review additional information.

7. The data shows that the Gavilan-Mancos Oil Pool and the western two tiers of governmental sections of the West Puerto Chiquito-Mancos Oil pool are in communication. Furthermore, geologic, production and pressure data presented in Case No. 9111, the Application of Benson-Montin-greer Drilling Corporation for the Expansion of the Canada Ojitos Unit Pressure Maintenance Project, heard before the Commission on March 17 and 18, 1988, demonstrates that the Gavilan-Mancos Oil Pool should be extended to include the acreage specified on Exhibit A and that the West Puerto Chiquito-Mancos Pool should be contracted by deleting therefrom the acreage specified on Exhibit A, to reflect the actual geologic, structural, and reservoir boundaries of the two pools. Such data also shows that the Gavilan-Mancos Oil Pool, extended as proposed herein, produces from one common source of supply.

8. A hearing before the Commission is scheduled for June 13-19, 1988 for the purpose of establishing permanent rules for the Gavilan-Mancos Oil Pool. This hearing is the appropriate forum for receiving evidence to determine the merits of this application, to establish permanent rules governing operations within the Gavilan-Mancos Oil Pool, as extended.

9. The granting of this application will be in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before the full Commission and that it be consolidated for hearing with the other cases scheduled to be heard concerning the Gavilan-Mancos Oil Pool and the West Puerto Chiquito-Mancos Oil Pool on June 13-17, 1988, and that after notice and hearing as required by law, the Commission enter its order extending the Gavilan-Mancos Oil Pool, contracting the West Puerto Chiquito-Mancos Oil Pool, and establishing permanent rules for the Gavilan-Mancos Oil Pool, amending the pool rules of the West Puerto Chiquito-Mancos Oil Pool as appropriate, and granting such other and further relief as the Commission deems proper.

Respectfully submitted:

HINKLE, COX, EATON, COFFIELD,  
& HENSLEY

By: 

Owen M. Lopez  
Post Office Box 2068  
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Attorneys for Mesa Grande, Ltd.

EXHIBIT A

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Acreage to be Included in the  
Gavilan-Mancos Oil Pool and Deleted  
from the West Puerto Chiquito-Mancos Oil Pool

Township 24 North, Range 1 West, N.M.P.M.

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Sections 5, 6, 7, and 8: All

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Township 25 North, Range 1 West, N.M.P.M.

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Sections 5, 6, 7, 8, 17, 18, 19, 20, 29,30, 31, and 32: All

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Township 26 North, Range 1 West, N.M.P.M.

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Sections 19, 29, 30, 31, and 32: All

Section 20:W/2

**PROPOSED MODIFICATION TO POOL RULES  
GAS AND/OR OIL ALLOWABLE  
GAVILAN MANCOS AND WEST PUERTO CHIQUITO MANCOS OIL POOLS  
Rio Arriba County, New Mexico**

It is proposed that the special pool rules governing the Gavilan Mancos Oil Pool and West Puerto Chiquito Mancos Oil Pool be amended to allow the operators in each pool the option to over produce any well up to a maximum limit equal to four (4) months allowable during any one continuous production period.

Upon becoming overproduced or suspending producing operations for any reason other than remedial requirements, the well shall remain shut-in until such time as the production overage is cancelled.

This proposed amendment would require an exception to state-wide rule #502-II and is intended to allow an operator to produce wells that exhibit a declining gas-oil-ratio during peak rates of production, for an extended period of time in order to maximize the barrels of oil recovered per MCF of gas produced.