

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

RECEIVED

AUG 31 1988

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION FOR THE PURPOSE OF  
CONSIDERING:

CASES NOS. 7980, 8946, 9113,  
9114, 8950 and 9412

CASE NO. 7980

IN THE MATTER OF CASE 7980 BEING REOPENED PURSUANT TO THE  
PROVISIONS OF COMMISSION ORDER NO. R-7407, WHICH ORDER  
PROMULGATED TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE  
GAVILAN-MANCOS OIL POOL IN RIO ARriba COUNTY, INCLUDING A  
PROVISION FOR 320-ACRE SPACING UNITS.

CASE NO. 8946

IN THE MATTER OF CASE 8946 BEING REOPENED PURSUANT TO THE  
PROVISIONS OF COMMISSION ORDER NO. R-7407-D, WHICH ORDER  
PROMULGATED A TEMPORARY LIMITING GAS-OIL RATIO AND DEPTH BRACKET  
ALLOWABLE FOR THE GAVILAN-MANCOS OIL POOL IN RIO ARriba COUNTY.

CASE NO. 9113

APPLICATION OF BENSON-MONTIN-GREER DRILLING CORPORATION, JEROME  
P. McHUGH & ASSOCIATES, AND SUN EXPLORATION AND PRODUCTION  
COMPANY TO ABOLISH THE GAVILAN-MANCOS OIL POOL, TO EXTEND THE  
WEST PUERTO CHIQUITO-MANCOS OIL POOL, AND TO AMEND THE SPECIAL  
RULES AND REGULATIONS FOR THE WEST PUERTO CHIQUITO-MANCOS OIL  
POOL, RIO ARriba COUNTY, NEW MEXICO.

CASE NO. 9114

APPLICATION OF MESA GRANDE RESOURCES, INC. FOR THE EXTENSION OF  
THE GAVILAN-MANCOS OIL POOL AND THE CONTRACTION OF THE WEST  
PUERTO CHIQUITO-MANCOS OIL POOL, RIO ARriba COUNTY, NEW MEXICO.

CASE NO. 8950

IN THE MATTER OF CASE 8950 BEING REOPENED PURSUANT TO THE  
PROVISIONS OF COMMISSION ORDERS NOS. R-6469-C AND R-3401-A, AS  
AMENDED, WHICH ORDER PROMULGATED A TEMPORARY ALLOWABLE AND  
LIMITING GAS-OIL RATIO FOR THE WEST PUERTO CHIQUITO-MANCOS OIL  
POOL IN RIO ARriba COUNTY.

REPLY TO OPPONENTS' MOTION FOR REHEARING

COMES NOW Mallon Oil Company, American Penn Energy, Inc., Hooper, Kimbell and Williams, Koch Exploration, Kodiak Petroleum, Inc., Mesa Grande, Ltd., Mesa Grande Resources, Inc., Mobil Production, Texas-New Mexico, Inc., Reading & Bates Petroleum Company and Tenneco Oil Company (hereinafter referred to as "Proponents") and file this their Response to the Motion for Rehearing filed on behalf of Benson-Montin-Greer Drilling Corp., Dugan Production Corp. and Sun Exploration Production ("Opponents") in the above-captioned matter and would show the Commission as follows:

1. Opponents limit their application for rehearing to a request for redetermination of the applicable gas limit for wells in the Gavilan and West Puerto Chiquito Mancos oil pools. Opponents argue that a gas limit of less than 2000:1 is necessary to enhance gravity drainage, protect correlative rights and prevent damage to the Canada Ojitos Unit. Opponents fail to cite any record evidence in support of their statements that artificially low gas limits are necessary to accomplish any one of these goals nor point out how the Commission's decision is in error in this respect. In fact, the record evidence in this case makes it clear that artificially low gas limits severely restrict oil production from the Gavilan and cause waste. The record also clearly shows that gravity drainage is not effective in the Gavilan pool and at best could only apply, if at all, east of the permeability barrier where there is a steeply dipping structure.

Opponents state the statewide 2000:1 gas-oil ratio allows gas production which can only be made "by a few high capacity wells," allowing such wells to drain the reserves under other tracts and thereby impairing correlative rights. This statement makes no sense in fact or in law. In truth, as the current production records from the field will indicate, virtually all wells in the Gavilan-Mancos pool have loaded up with gas during the recent low rate period, causing Gavilan wells to come back on line with very high gas-oil ratios. As noted in Proponents' Motion for Rehearing in this matter, it is appropriate for the Commission to remove the gas limit entirely, at least for three months, to allow stabilized production from these wells. There is no evidence to support Opponents' statement that setting gas limits at a statewide level of 2000:1 will impair the correlative rights of owners have interests in low capacity wells.

Finally, Opponents argue that the 2000:1 limit in the non-unitized Gavilan pool will reduce the efficiency of recovery from the Canada Ojitos Unit, thereby causing waste. As have been amply demonstrated, there is a permeability barrier between the existing pressure maintenance project in the Canada Ojitos unit, and the proposed expansion area, which forms the true boundary between the Gavilan and West Puerto Chiquito Mancos oil pools. There is no justification for the statement that allowable rates in the Gavilan Field will reduce the efficiency of recovery in the Canada Ojitos unit. In fact, the evidence is just the

opposite; if there is any drainage occurring it will be from the existing Gavilan Fields to the western tier of the existing West Puerto Chiquito Mancos oil pool.

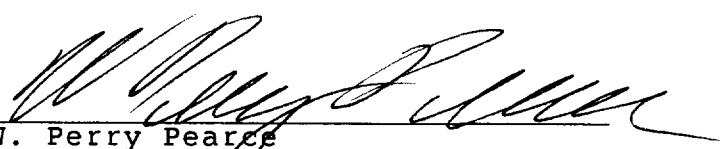
2. The bulk of the Motion for Rehearing filed by Opponents is actually an attempt on their part to respond to the dissenting opinion filed by Commissioner Erling Brostuen in the above-captioned matter. Mr. Brostuen's opinion is well founded in the record in this case and can stand on its own. Furthermore, the Motion for Rehearing previously filed by Proponents in this case addresses essentially all of the points raised in Opponents' reply, and do not need to be addressed again.

WHEREFORE, Proponents incorporate the dissenting opinion filed by Commissioner Brostuen in this matter, together with their Motion for Rehearing, and respectfully request that the Commission deny the application for rehearing filed by Opponents and instead grant the application for rehearing filed on behalf of Proponents.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By

  
W. Perry Pearce  
Post Office Box 2307  
Santa Fe, New Mexico 87504-2307  
(505) 982-3873

Attorneys for Mobil Exploration &  
Producing U.S. Inc.

SCOTT, DOUGLASS & LUTON

Frank Douglass  
Twelfth Floor  
First City Bank Building  
Austin, Texas 78701  
(512) 476-6337

Attorneys for Mallon Oil Company

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

Owen M. Lopez  
Post Office Box 2068  
Santa Fe, New Mexico 87504-2068  
(505) 982-4554

Attorneys for Mesa Grande  
Resources, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing Reply to Opponents' Motion for Rehearing to be mailed to the following persons this 31st day of August, 1988.

W. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Post Office Box 2265  
Santa Fe, New Mexico 87501

Kent Lund  
Amoco Production Company  
Post Office Box 800  
Denver, Colorado 80201

Ernest L. Padilla  
Padilla & Snyder  
Post Office Box 2523  
Santa Fe, New Mexico 87501

Robert D. Buettner  
Koch Exploration Company  
Post Office Box 2256  
Wichita, Kansas 67201

William F. Carr  
Campbell & Black, P.A.  
Post Office Box 2208  
Santa Fe, New Mexico 87504

REPLY TO OPPONENTS' MOTION  
FOR REHEARING - Page 5

Paul Cooter  
Rodey, Dickason, Sloan,  
Akin & Robb, P.A.  
Post Office Box 1357  
Santa Fe, New Mexico 87504

  
W. Perry Pearce

[WPP:149]