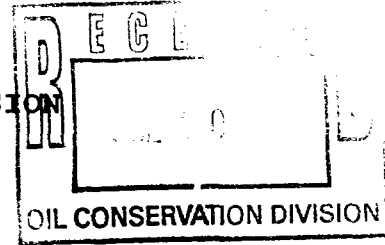


BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION



APPLICATION OF GILLESPIE-CROW,
INC. FOR AN ALLOWABLE REDUCTION,
LEA COUNTY, NEW MEXICO

No. 11599

APPLICATION

Gillespie-Crow, Inc., for its application, states:

1. Applicant is the operator of the West Lovington Strawn Unit ("WLSU"), which includes portions of the designated and undesignated West Lovington Strawn-Pool underlying the following lands:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 33: All
Section 34: W½

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 3 through 5

The WLSU was approved by Division Order No. R-10449.

2. Applicant has instituted a natural gas injection pressure maintenance project for the WLSU, approved by Division Order No. R-10448.

3. In May 1994, prior to unitization and institution of the pressure maintenance project, applicant, as operator of all Strawn wells within the area to be unitized, restricted production from the wells to approximately 100 bopd per well due to pressure decline in the reservoir. The production restrictions prevented

the reservoir from reaching critical gas saturation prior to institution of the pressure maintenance project.

4. Gas injection for the pressure maintenance project began in October 1995, and has continued to date at an average daily rate of approximately 5 MMCFG. The project has one injection well and ten producing wells.

5. Evidence presented by applicant in Division Case No. 11531 (which certified a positive production response for the project) shows that (a) the injected gas is being confined to the Strawn reservoir and is not being recycled to producing wells, (b) is forming a gas cap within the reservoir, and (c) is maintaining reservoir pressure.

6. As a result of the gas injection, applicant has been able to increase production from the ten WLSU producing wells to an average rate of approximately 200 bopd per producing well. Depending on reservoir performance, production rates in the WLSU may be increased or decreased in the future.

7. The West Lovington-Strawn Pool is spaced on 80 acres, pursuant to Division Order No. R-9722, as amended. As a result, the pool's depth bracket allowable is 445 bopd.

8. On October 20, 1995 applicant completed the State "S" Well No. 1 in the undesignated West Lovington-Strawn Pool. The $W\frac{1}{2}SE\frac{1}{4}$ of Section 34, Township 15 South, Range 35 East, is dedicated to the well. Said acreage adjoins the WLSU.

9. Since January 1996, production from the State "S" Well No. 1 has been restricted. To date, the well has produced over

60,000 barrels of oil and 100 MMCFG of gas, and the well has reached payout.

10. Pressure data from the State "S" Well No. 1 shows that the well is completed in the same reservoir as the eleven wells in the WLSU.

11. Producing the State "S" Well No. 1 at its depth bracket allowable will allow the working interest owners in said well to benefit unfairly from the WLSU pressure maintenance project, and will impair the correlative rights of the interest owners in the WLSU.

12. Hanley Petroleum Company completed its Chandler Well No. 1 in the West Lovington-Strawn Pool on March 2, 1996. The S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 28, Township 15 South, Range 35 East, which adjoins the WLSU, is dedicated to the well. Upon information and belief, said well is completed in the same reservoir as the wells in the WLSU, although it is producing at a rate less than the average producing rate of wells in the WLSU.

13. Applicant is in the process of expanding the WLSU to include certain adjoining acreage, and thus it is proper to restrict the producing rates of wells outside the WLSU, but completed within the same reservoir, to the rates set for wells within the WLSU.

14. As a result of the foregoing, and pursuant to Division Rules 505.D and 505.E, applicant requests the Division to enter an order restricting the production of wells completed in the same

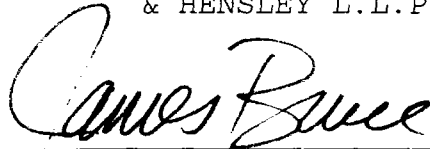
reservoir as the WLSU, but outside the boundaries of the WLSU, to rates equal to the average producing rate for wells in the WLSU.

15. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the relief requested above be granted.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY L.L.P.

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce
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Attorneys for Gillespie-Crow, Inc.