

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES**

OIL CONSERVATION DIV.  
93 AUG 28 PM 4:33

**IN THE MATTER OF THE APPLICATION  
OF GRUY PETROLEUM MANAGEMENT  
COMPANY FOR AN UNORTHODOX  
WELL LOCATION, AND SIMULATANEIOUS  
DEDICATION, LEA COUNTY, NEW MEXICO**

**CASE NO. 12015**

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by Doyle Hartman, Oil Operator ("Hartman") as required by the New Mexico Oil Conservation Division ("Division") in opposition to The Application of Gruy Petroleum Management Co. ("Gruy"), which is set for examiner hearing September 3, 1998.

**APPEARANCES OF PARTIES**

**APPLICANT**

Gruy Petroleum Management Co.  
Post Office Box 140907  
Irving, Texas 75014-0907

**ATTORNEYS**

William F. Carr  
Paul R. Owen  
Campbell, Carr, Berge &  
Sheridan, P.A.  
Post Office Box 2208  
Santa Fe, NM 87504-2208

**OPPOSITION PARTIES**

Doyle Hartman, Oil Operator  
3811 Turtle Creek Blvd. #730  
200 Turtle Creek Centre  
Dallas, TX 75219-4421

J.E. Gallegos  
Michael J. Condon  
Gallegos Law Firm  
460 St. Michael's Drive  
Building 300  
Santa Fe, NM 87505  
505-983-6686

Armstrong Energy Corporation

W. Thomas Kellahin  
Post Office Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

## **STATEMENT OF THE CASE**

Hartman opposes Gruy's application in this case. The granting of the application amounts to waste in that it would promote the drilling of unnecessary wells and also threaten the correlative rights of Hartman and other interest owners in the Rhodes Gas Pool. The Rhodes Gas Pool is a non-prorated gas pool. With the exceptions of the originally approved group of Rhodes Gas Pool wells, by prior Orders of the NMOCD, an operator is limited to one active well per 160-acre spacing unit in the Rhodes Gas Pool. Gruy's application seeks a variance from the standard 160-acre well spacing in the Rhodes Gas Pool.

Gruy has ignored NMOCD rules and regulations regarding gas well location and spacing in the Rhodes Gas Pool in Gruy's current development program in Lea County, New Mexico. Gruy's applications belatedly seek authorization to complete wells at unorthodox locations. They seek simultaneous dedication. The requests, which should have been made to the NMOCD prior to Gruy's development program, are in violation of established NMOCD rules that provide that simultaneous dedication is not allowed in unprorated gas pools such as the Rhodes Gas Pool. Gruy cannot present any compelling evidence which authorizes and would support a request for simultaneous dedication in this case, with the actual evidence being contrary to Gruy's application.

Gruy is engaged in a development program which apparently contemplates substantial infill drilling in the Rhodes Gas Pool. Gruy has already proposed a number of additional gas wells on 160-acre proration units which are already dedicated to an existing gas well in the pool. Included in the proration units for which Gruy has targeted future development is the unit which was the subject of the Oil Conservation Division's

Order R-9870, which Order confirmed the Division's previously approved development procedures for the Rhodes Gas Pool. Those procedures provide for one producing well per 160-acre proration unit and disallow simultaneous dedication. Gruy's announced future plans include acreage which directly offsets Hartman's Bates Lease in Sections 10 and 15, T-26-S, R-37E. Gruy's Application in Case No. 12017 hints at Gruy's plans for future development, and references a future change in the pool rules for the Rhodes Gas Pool. Hartman objects to any spacing changes for the pool because the already existing spacing requirements and restrictions protect correlative rights and are more than sufficient to economically develop and drain the pool. However, if Gruy is intent on promoting changes in the pool rules, it should do so in proper fashion, rather than by attempting to secure a piecemeal change in the pool rules through its applications in Cases Nos. 12015 and 12017.

### **PROPOSED EVIDENCE**

Gruy has not yet served its Pre-Hearing Statement.

#### **HARTMAN**

<b>WITNESSES (Name and Expertise)</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Doyle Hartman	1.5 hrs	Approximately 25-30

### **PROCEDURAL MATTERS**

Hartman requests that this application proceed to hearing so that the Division has notice of Gruy's ongoing and threatened future violations of NMOCD Rule 104(C)(2)(a), NMOCD memoranda dated July 27, 1988 and August 3, 1990, and NMOCD Order R-9870, and to assure that Gruy's drilling program in the Rhodes Gas Pool proceeds in accordance with NMOCD rules and regulations.

Some of the documents Hartman intends to introduce as exhibits at the hearing are internal Gruy documents from Gruy's files which have been subpoenaed by Hartman in this proceeding in anticipation of the September 3, 1998 hearing. Some, but not all, have been produced.

Gruy has filed an additional application related to the Rhodes Gas Pool in NMOCD case 12017, which is also scheduled for hearing September 3, 1998. Hartman requests that these two cases be consolidated for administrative convenience and economy of presentation.

Gruy has filed a Motion to Quash in part Hartman's subpoena. Hartman has requested that Gruy produce well files for its proposed Rhodes State Com Well No. 6, Rhodes Federal Unit Well No. 159, Rhodes Federal Unit Well No. 103, and the Gregory "B" Well No. 2. Hartman has also requested that Gruy produce additional documents that related to the staking of the Rhodes State Com No. 5, which is at issue in Case No. 12017. Finally, Hartman has requested that Gruy produce any and all documents related to any production from the Rhodes State Com No. 5, the Rhodes Federal Unit Well No. 43, and the Rhodes Federal Unit Well No. 415. As of the filing of this Pre-Hearing Statement, these matters have not been resolved.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By

  
J.E. GALLEGOS

MICHAEL J. CONDON

460 St. Michael's Drive, Bldg. 300  
Santa Fe, New Mexico 87505  
(505) 983-6686

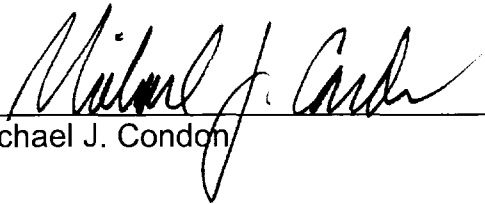
Attorneys for Hartman

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused a true and correct copy of the foregoing to be faxed and mailed on this 28<sup>th</sup> day of August, 1998 to the following:

William F. Carr  
Paul R. Owen  
Campbell, Carr, Berge & Sheridan, P.A.  
110 N. Guadalupe, Suite 1  
Santa Fe, New Mexico 87501

W. Thomas Kellahin  
Post Office Box 2265  
Santa Fe, NM 87504

  
\_\_\_\_\_  
Michael J. Condon